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President of the United States

ECONOMIC COOPERATION WITH CANADA

Richard D. Russell

AMERICAN TRADITION IN THE FOREIGN

POLICY





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ECONOMIC COOPERATION WITH CANADA, 1941-1947

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by Richardson Dougall

A brief survey of the major economic fields in which cooperative action has been taken by the United States and Canada since the Hyde Park agreement of 1941.

The Hyde Park Agreement

The charter of Canadian-American economic cooperation during World War II was the announcement made at Hyde Park by President Roosevelt and Prime Minister Mackenzie King of Canada on April 20, 1941. This statement, usually referred to as the Hyde Park agreement or the Hyde Park declaration, announced agreement on the general principle that the United States and Canada, in mobilizing the resources of the North American continent for hemispheric defense and for aid to Great Britain and other democracies, should provide each other with the defense articles which each was "best able to produce, and, above all, produce quickly, and that production programs should be coordinated to this end."¹ The agreement provided specifically for the production in Canada of certain defense items urgently required by the United States, including certain kinds of munitions, strategic materials such as aluminum, and ships.

The Hyde Park agreement also recognized the importance to the economies of both countries of protecting the Canadian foreign-exchange position *vis-à-vis* the United States. Had Canada continued to buy in the United States raw materials to be processed and sent on to Great Britain for use in the war, the Canadian dollar-exchange position would have deteriorated very rapidly. The agreement therefore stated that, so far as Canadian defense purchases in the United States consisted of component parts to be used in equipment

and munitions to be shipped to Great Britain, such purchases should be made by the British Government under the lend-lease program and shipped to Canada for processing. At the same time the use of Canada's existing and potential capacity for filling American orders for ships, aluminum, other materials, and certain munitions, was expected to give Canada dollar exchange of 200 million dollars or 300 million dollars during the following year with which to finance its own defense purchases in the United States.

The implementation of the Hyde Park agreement during the war resulted in an unprecedented coordination of the economies of the United States and Canada—in the pooling of supplies, in the development of complementary industrial plants and agricultural programs, and in the almost complete erasure of national boundaries for certain purposes. This extraordinary cooperative effort in the economic field contributed materially to the successful conclusion of the war.

The economic agreement announced at Hyde Park has never been specifically terminated by the Governments of Canada and the United States, and certain cooperative economic measures continue. With the gradual abolition of wartime economic controls in both countries, however, the governmental machinery for fully coordinated action has been largely dissolved and Canadian-American economic relations have been returning gradually to a peacetime basis.

¹ BULLETIN of Apr. 26, 1941, p. 494.

The Joint Committees and Combined Boards

The Hyde Park agreement provided for the subsequent working out of technical details by officials of the two Governments concerned, and the success of the agreement depended upon the methods devised for implementing it. As Canadian-American economic cooperation at the operating level became closer, there grew up a complex of joint committees and combined boards which put the principles of the agreement into practice. The most important of the joint committees, on which the United States and Canada alone had representation, were the Material Coordinating Committee, the Joint Economic Committees, and the Joint War Production Committee. The two Governments also established, however, a Joint Agricultural Committee in March 1943 and a Joint War Aid Committee later the same year. In addition, Canada was invited to participate in the Combined Production and Resources Board (November 1942) and the Combined Food Board (October 1943), both of which had originally been established as Anglo-American bodies.

The Material Coordinating Committee

The first of the joint committees to be established was the Material Coordinating Committee, the creation of which was announced in the United States on May 14, 1941, by the Office of Production Management. Its primary purpose was to facilitate the exchange of information relating to supplies of strategic raw materials between Canadian and American officials in order to assist them in planning defense programs. The Committee also served as a liaison agency through which the Canadian Government was indirectly linked to the Combined Raw Materials Board, on which the American member of the Material Coordinating Committee spoke for Canada although only the United States and Great Britain were directly represented.

The Joint Economic Committees

The creation of the Joint Economic Committees was announced on June 17, 1941. The function of these Committees, which were strictly advisory, was to study the possibilities of "effecting a more economic, more efficient, and more coordinated

utilization of the combined resources of the two countries in the production of defense requirements"² in fields where this was not already being done. The Committees were also to study and report on the possibilities of reducing probable postwar economic dislocations.

The advisory resolutions of the Committees, many of which were the basis of cooperative action by operating agencies of the two Governments, dealt with such diverse subjects as export control, shipping, production, freedom of travel, the necessity for supporting Canadian gold mining in order to assist the Canadian exchange position, postwar international economic collaboration, border movement of labor and machines, expanded agricultural production, and the potato trade. The Committees also discussed, without making formal recommendations, many other outstanding economic problems in the field of Canadian-American relations, such as Great Lakes shipping, tariffs, price control, production priorities and allocations, power and paper shortages, the Atlantic fisheries, and a North Pacific planning project. A number of these subjects will be discussed at greater length below.

On March 14, 1944, it was announced that the United States and Canada had agreed that the Joint Economic Committees should be dissolved, since their continued operation was rendered unnecessary by "the development of other agencies for coordination and exchange of views and the establishment . . . of methods of cooperation in production and the use of resources".³

The Joint War Production Committee

One of the other agencies whose development was referred to was the Joint Defense Production Committee (subsequently renamed the Joint War Production Committee). This body was established on November 5, 1941, upon the recommendation of the Joint Economic Committees to coordinate the capacities of the United States and Canada for the production of defense matériel. The names of the 10 joint subcommittees of this Committee reflect the scope of the Committee's work: tank-automotive, artillery, artillery ammunition, small arms and small arms ammunition, chemicals and explosives, signal corps equipment, conservation, aircraft, naval shipbuilding, and merchant shipbuilding.

² BULLETIN of June 21, 1941, p. 747.

³ BULLETIN of Mar. 18, 1944, p. 264.

Four paragraphs of a statement of war-production policy adopted by the Committee shortly after the United States entered the war merit quotation in full:

"3. Achievement of maximum volume and speed of war output requires that the production and resources of both countries should be effectively integrated and directed toward a common program of requirements for the total war effort.

"4. Each country should produce those articles in an integrated program of requirements which will result in maximum joint output of war goods in the minimum time.

"5. Scarce raw materials and goods which one country requires from the other in order to carry out the joint program of war production should be so allocated between the two countries that such materials and goods will make the maximum contribution toward the output of the most necessary articles in the shortest period of time.

"6. Legislative and administrative barriers, including tariffs, import duties, customs, and other regulations or restrictions of any character which prohibit, prevent, delay, or otherwise impede the free flow of necessary munitions and war supplies between the two countries should be suspended or otherwise eliminated for the duration of the war."⁴

The War Production Board in the United States and the Department of Munitions and Supply in Canada conducted their operations under this policy with very little friction, considering the magnitude of the tasks involved, and each Government, through its own particular type of control machinery—whether through export control, priorities, allocations, or other types of controls—strove to give effect to the aims of the basic policy laid down by the Committee.

The Combined Production and Resources Board

The charter of the Anglo-American Combined Production and Resources Board was altered on November 7, 1942, to include Canada as a third member. This tripartite Board, which was in existence until the end of 1945, dealt with a great many spot problems on various phases of Canadian-American economic integration, including adequacy of productive facilities, division of markets, prevention of industrial waste, and standardization of specifications and equipment. Illus-

trative of the Board's work are a recommendation against the construction of a proposed war plant in Canada on the grounds that American facilities for the production of the particular product involved were sufficient for joint needs; the recommendation of quotas to the United States and Canada for the shipment of textiles to liberated areas; and the recommendation of similar quotas for the supply of agricultural machinery for the UNRRA program. Trucks, tires, and tubes were other commodities of particular interest to the United States and Canada with which the Board dealt, not as an operating agency, but through recommendations which it made to the War Production Board in the United States and to the Department of Munitions and Supply and the Wartime Prices and Trade Board in Canada.

The Combined Food Board

On October 25, 1943, President Roosevelt and the British Prime Minister invited Canada to become a member of the Combined Food Board, and that Board was likewise expanded from an Anglo-American cooperative agency to an Anglo-American-Canadian organization.⁵ The Combined Food Board, generally considered to have been one of the most effective agencies of wartime economic cooperation, sought—among other things—to reduce competitive bidding on foodstuffs in short supply by recommending allocations of markets and sources of supply to the War Food Administration in the United States and to its Canadian and British equivalents.

As far as Canadian-American cooperation is concerned, the principal products dealt with by the Combined Food Board were grain and flour, fish, meat, seeds, dairy products, dried beans and peas, and dried fruits. Canada was an exporter of most of these foodstuffs, but it imported dried fruits and certain kinds of seeds under allocations recommended by the Board.

This Board was replaced in June 1946 by a multilateral International Emergency Food Council, now consisting of representatives of some 30 governments, which has continued the Board's work of trying to accomplish an equitable distribution of foodstuffs in short supply. Both the United

⁴ BULLETIN of Dec. 27, 1941, p. 579.

⁵ Provision was also made for the participation of other countries on the Board's commodity committees.

States and Canada participate in the work of the Council and both have tried to follow the Council's recommendations, although there has not been altogether complete coordination of measures taken pursuant to those recommendations. The United States recently has again shown its readiness to cooperate with Canada in this field by directing part of American grain exports during the past crop year so as to compensate for Canadian inability, because of transportation difficulties, to maintain the schedule of grain exports called for by an Anglo-Canadian bulk-purchase agreement and by short-term agreements made by Canada with Belgium and the Netherlands.

Migration of Labor

One of the important recommendations of the Joint Economic Committees in the agricultural field had to do with the movement of seasonal labor across the border between the United States and Canada. There had always been a certain amount of labor mobility, but immigration and customs regulations and the income-tax provisions of fiscal legislation had had a deterring effect. With the general shortage of manpower which developed before and during the war, however, it became desirable to encourage the seasonal movement of labor across the boundary.

The Joint Economic Committees therefore recommended on February 27, 1942, that the United States and Canada take appropriate action to facilitate the movement across the boundary, particularly of used agricultural machinery, together with the necessary operators or crews. In this specific case, it was felt that both the shortage of metals for manufacturing new machines and the shortage of agricultural labor skilled in the use of farm machinery called for measures which would facilitate the movement of both men and machines, particularly at harvesting time. The two Governments took steps to put this recommendation into effect in the spring of 1942. The arrangements which were formally made, in which the State, Agriculture, Treasury, and Justice Departments cooperated on behalf of the United States Government, were renewed for the years 1943, 1944, 1945, and 1946. A further renewal for the crop year 1947 is now under negotiation.

The movement of other types of greatly needed

seasonal labor across the common border was also encouraged by the Canadian and United States Governments, although no formal agreements were entered into regarding any categories of such labor other than the exchange of grain-harvest machinery and crews. Informal agreements were worked out, however, for the importation into the United States from Canada of both agricultural and industrial labor. Indeed the United States Congress made appropriations in 1943 and annually thereafter to assist Executive agencies of the United States Government (the War Food Administration and the War Manpower Commission during most of the period) in implementing a program of migratory labor from Canada and elsewhere. On June 30, 1946, the appropriations provided for importing industrial labor were discontinued. There are still available until the end of 1947, however, appropriations for bringing to the United States various types of agricultural labor, including workers from Canada. The principal categories of Canadian labor brought into the United States have been grain workers, potato and tomato pickers, tobacco workers, dairy-farm workers, lumbermen, maple-sugar (sugar-bush) workers, and food-processing workers. Such appropriations have been used for recruitment, transportation, medical care, and the maintenance of labor-supply centers. Their discontinuance, however, will not mean a complete cessation of migration of labor across the Canadian border; it merely reflects the passing of the pressing wartime need for such large numbers of migratory workers.

Complementary Agricultural Products

On the same date that they recommended measures for greater mobility of farm-machinery crews the Joint Economic Committees recommended to the Governments of the United States and Canada arrangements "for more effective utilization of the joint agricultural resources of the two countries for the production of certain farm products needed in the war effort."* This recommendation was approved by both Governments, and on April 10, 1942, the White House announced a program for increasing the production of oats, barley, and flaxseed in Canada and of oil-bearing crops, including soybeans, in the United States.

* BULLETIN of Apr. 11, 1942, p. 313.

Fish and Fur Seals

Fishing and sealing have always been a source of potential conflict between Americans and Canadians. With time, however, the two countries have developed machinery for dealing with controversial issues in these fields, largely through the operation of joint commissions. The International Fisheries Commission, for example, has long been dealing with questions of joint interest with respect to halibut in the North Pacific Ocean and Bering Sea. Since 1937 the International Pacific Salmon Fisheries Commission has been dealing with Canadian-American problems with a view to restoring the sockeye salmon industry in the Fraser River system. During the war both of these Commissions carried on their work, which was very important from the point of view of wartime food supply, and both are still in existence. Illustrative of their wartime work are the regulations issued annually by the International Fisheries Commission and the agreement reached⁷ upon the recommendation of the International Pacific Salmon Fisheries Commission for the construction of fishways and other works at joint expense at Hell's Gate Canyon.

With respect to the fishing industry on the Great Lakes, the United States and Canada established an International Board of Inquiry for the Great Lakes Fisheries in 1940.⁸ The report of this Board, submitted in 1942, was studied by the two Governments throughout the rest of the war, and on April 2, 1946, their representatives signed a convention under which an international commission having certain regulatory powers will be established to benefit both American and Canadian participants in the Great Lakes fishing industry. This convention is now before the United States Senate for its advice and consent to ratification.

With respect to fur seals, the two Governments entered into a provisional agreement for the duration of the emergency and 12 months thereafter⁹ to prohibit pelagic sealing in defined waters of the Bering Sea and the Pacific Ocean, subject to possible exceptions made necessary by wartime emergencies. The agreement also increased the Canadian share of the sealskins taken upon the Pribilof Islands by adding to it a part of the share formerly received by Japan under the fur-seal convention of 1911.

Tariffs

No general change in the tariff structure between the United States and Canada has taken place since the 1938 trade agreement between the two countries became effective on January 1, 1939. Since the Hyde Park agreement, however, the two Governments have agreed to a number of modifications relating to individual products. They are currently participating in negotiations at Geneva, on a multilateral basis with other nations, and it is expected that further reductions in trade barriers will be agreed upon.

With respect to tariffs it should also be noted that as an emergency measure, and in line with the policy statement of the Joint War Production Committee, already quoted, the President issued Executive Order 9177 on May 30, 1942, extending to the Secretaries of War, the Treasury, and Agriculture and to the Reconstruction Finance Corporation legal authority already vested in the Secretary of the Navy to import, free of duty, emergency purchases of war materials, including materials from Canada.

Taxation

Three Canadian-American taxation agreements have been made since 1941. One of these¹⁰ dealt solely with Provincial and municipal taxation of projects being constructed by the United States in Canada for the joint defense of the two countries. The Canadian Government agreed to intervene in any legal proceedings brought in Canada to collect Provincial or municipal taxes from the United States Government on real property owned or leased, or in respect to license fees on motor vehicles owned by the United States, and to reimburse the United States for such taxes if the courts should hold the United States liable to pay them. The Canadian Government also agreed to refund, as part of its contribution to the cost of the defense projects, the amount of municipal taxes levied on American contractors employed by the United States Government on its military projects in

⁷ By an exchange of notes dated July 21 and Aug. 5, 1944.

⁸ For an article by Durand Smith on the Great Lakes fisheries convention and its background, see *BULLETIN* of Apr. 13, 1947, p. 643.

⁹ By an exchange of notes dated Dec. 8 and 19, 1942.

¹⁰ Effected by an exchange of notes dated Aug. 6 and 9, 1943.

Canada, and to request the Provincial governments not to impose certain taxes upon American personnel engaged on such projects.

The other two taxation agreements mentioned dealt with the avoidance of double taxation and the prevention of fiscal evasion. The convention and protocol of March 4, 1942,¹¹ lays down provisions under which individuals and corporations are relieved from double taxation with respect to income taxes in one of two ways, either by the outright exemption of certain categories of income and profits from taxation in one or the other of the two countries or by the allowance of credit against the tax imposed in one of the countries for the tax paid the other country. The convention of June 8, 1944,¹² lays down similar provisions relating to Federal estate taxes in the United States and to taxes under the Dominion Succession Duty Act in Canada. Both these conventions were negotiated as part of a much broader program to reduce by international agreement with as many countries as possible double taxation to which American nationals have been subject.

Civil Aviation

When the United States entered World War II, its relations with Canada in the field of civil aviation were governed by an air-navigation agreement of July 28, 1938, and by an agreement of August 18, 1939, supplemented by an exchange of notes dated November 29 and December 2, 1940. The exchange of notes had provided that in the middle of 1942 the two Governments would meet to consider revisions of the allocation of air-transport routes to American and Canadian carriers. War conditions, however, made it impracticable to hold this meeting and on March 4, 1943, the two Governments agreed to continue until the end of the war the allocations made in 1940.

Following the International Civil Aviation Conference held in Chicago late in 1944 the United States and Canada decided to supersede these civil-aviation arrangements (except the 1938 agreement) with a new agreement for civil air transport. On February 17, 1945, therefore, they exchanged notes concluding such an agreement. Its provisions included clauses permitting non-stop transit flights and granting the right to land for

non-traffic purposes, as well as granting the traffic points listed below. They also included measures designed to prevent discriminatory practices and to insure equality of treatment, and specified the routes which could be serviced by American and Canadian carriers respectively.

Under the 1945 allocation, United States carriers could service the following routes: Boston to Moncton, Boston to Montreal, New York or Boston to Quebec, New York to Montreal and Ottawa (but not both on the same flight), Washington to Montreal and Ottawa (but not both on the same flight), Buffalo to Toronto, Fargo to Winnipeg, Great Falls to Lethbridge, Seattle to Vancouver, Seattle to Whitehorse, Fairbanks to Whitehorse, and a stop at Windsor permitted for any American airline serving Detroit. Canadian airlines were allocated the following routes: Halifax to Boston, Toronto to New York, Toronto to Cleveland, Toronto to Chicago (with a stop at Windsor prohibited), Port Arthur to Duluth, Victoria to Seattle, Whitehorse to Fairbanks, and a stop at Detroit permitted for any Canadian carriers serving Windsor.

These routes were recently revised by an exchange of notes dated April 10 and 12, 1947, which liberalized the provisions previously in force. As far as United States carriers are concerned, the routes allocated remain the same, but Montreal and Ottawa can now be serviced on the same flights from New York or Washington, so long as no Canadian cabotage rights are exercised. The restriction on stops at Windsor on the Toronto-Chicago run of Canadian carriers was likewise removed, and the Canadian carrier operating the service between Winnipeg and Toronto was given permission to stop at Sault Ste. Marie, Michigan, and to pick up and set down traffic there.

In addition to the cooperative allocation of air-transport routes, the Canadian and United States Governments are currently cooperating on two other matters affecting civil aviation. On March 4 of this year it was announced in the Canadian House of Commons that the United States was assisting the Canadian Government in the establishment of nine Arctic weather stations, two of which are expected to be in operation this summer. The value to aviation of accurate meteorological information to be made available by these stations was specifically mentioned. It was further

¹¹ Now in effect as from Jan. 1, 1941.

¹² Now in effect from June 14, 1941.

announced on March 25 that the Canadian Government contemplates, with the assistance of American technical personnel and equipment, the construction of two low-frequency loran¹³ stations in northern Canada. This type of aviation aid has shown promise in joint tests already undertaken by the United States and Canada and the Provisional International Civil Aviation Organization has recommended it as the standard aid to long-range navigation.

Waterways and Power

The United States and Canada made a number of special wartime arrangements for the purpose of increasing the waterpower supply needed for wartime industrial plants. Even before the United States entered the war, two agreements¹⁴ had been reached for additional diversion for power purposes, from the Niagara River above Niagara Falls, of a total of 12,500 cubic feet of water a second on the American side of the falls and of 9,000 cubic feet a second on the Canadian side. An agreement had also been reached¹⁵ for the temporary raising of the level of Lake St. Francis during low-water periods so that the Canadian power company utilizing water diverted from that lake could continue to export power needed by an American aluminum plant in the State of New York. Early in 1944¹⁶ the two Governments agreed upon the terms of a reference to the Canadian-American International Joint Commission requesting an investigation and report as to the practicability and desirability of a further development of the water resources of the Columbia River basin for a number of purposes, including the efficient development of water power.¹⁷

By far the most important question relating to power and waterways now of concern to the Governments of the United States and Canada, however, is the proposed development of the Great Lakes-St. Lawrence basin. Proposals for such development have been under consideration for many years, but no complete agreement has yet been effected. In 1936 negotiations had been reopened, and in 1940, when the need for additional power became urgent and the desirability of inland shipbuilding became apparent, President Roosevelt appointed a St. Lawrence Advisory Committee. This Committee and its Canadian counter-

part, the Temporary Great Lakes-St. Lawrence Basin Committee, submitted a joint report on January 3, 1941. Using this report, the Executive branches of the two Governments negotiated an agreement for the utilization of the water in the Great Lakes-St. Lawrence basin, which was signed on March 19, 1941. Implementation of this document still awaits legislative approval.

Recently the two Governments have considered the possibility of imposing tolls to make the construction project proposed in this agreement self-liquidating. No objection has been made by the Executive branch of either Government to this method of decreasing the cost of the project to the two Governments, and legislation, supported by the Department of State, was introduced in both houses of the United States Congress on May 9 of this year to authorize the construction, on a self-liquidating basis, of the combined hydroelectric and navigation project contemplated by the agreement. If this legislation is passed, and if similar authorization is given by the Canadian Government, large power-generating units will be built in the International Rapids Section of the St. Lawrence River, and the contemplated 27-foot channel between the mouth of the St. Lawrence and the head of the Great Lakes will give a large amount of ocean shipping access to inland ports of both Canada and the United States.

Economic Aspects of Military Projects

No consideration of Canadian-American cooperation during World War II and since should omit brief mention of the future peacetime implications to the United States and Canada of their coopera-

¹³ Long-range radar aid to navigation.

¹⁴ Dated May 20 and Oct. 27, 1941, respectively.

¹⁵ On Nov. 10, 1941; renewed by exchanges of notes dated Oct. 5 and 9, 1942, Oct. 5 and 9, 1943, and Aug. 31 and Sept. 7, 1944.

¹⁶ By an exchange of notes dated Feb. 25 and Mar. 3, 1944.

¹⁷ In considering the practicability and desirability of further developing the upper Columbia River basin the International Joint Commission was to have in mind not only water power but also domestic water supply and sanitation, navigation, flood control, irrigation needs, reclamation of wet lands, and conservation of fish and wildlife. This reference is illustrative of the scope of the problems dealt with by the Commission, which, since its establishment under the terms of the treaty of Jan. 11, 1909, with Great Britain, has in many ways served as a model in the field of international cooperation.

tion on two important wartime military projects.

The Canadian part of the Alaska Highway, constructed as a wartime measure, has now become an integral part of the Canadian highway system. It is understood, however,¹⁸ that the part of the highway lying in Canada, and the Canadian highways leading from the United States border to the southern terminus of the Alaska Highway, will always be open to American traffic on the same terms as to Canadian traffic, and that the Canadian Government will "waive import duties, transit or similar charges on shipments originating in the United States and to be transported over the highway to Alaska, or originating in Alaska and to be transported over the highway to the United States."¹⁹ How much normal traffic will eventually travel over this highway is not yet known, but the Canadian authorities at Edmonton, Alberta, now issue an average of 600 permits a month for northbound travel on the highway,²⁰ and, as the Alaska Highway is the only land link connecting the continental United States with Alaska, it is potentially very important.

Far more important for its implications for the future economy of the United States and Canada was the cooperative development of atomic energy during the war. So far the application of this wartime development to peacetime industry and commerce is a thing of the future, but since Canada has some of the supplies of raw materials needed for atomic development and since the United States has great productive capacity, which was developed for war needs, Canadian-American cooperation is a logical path for future developments to pursue.

¹⁸ Under the terms of an exchange of notes dated Mar. 17 and 18, 1942, supplemented by an exchange of notes dated Apr. 10, 1943.

¹⁹ BULLETIN of Mar. 21, 1942, p. 238.

²⁰ The Canadian authorities require permits for travel on the Alaska Highway to insure that vehicles are "road-worthy" and that travelers are able to meet emergencies themselves, since little assistance in matters of food, shelter, or automotive repairs can be found along long stretches of the highway.

²¹ This agreement, effected by an exchange of notes dated Nov. 30, 1942, contains language almost identical with that included in article VII of the mutual-aid agreements. Canada, although it did not receive lend-lease from the United States, made in this agreement the same commitments concerning postwar economic relations which other nations made in connection with receiving lend-lease.

Canadian and American Participation in International Economic Agencies

Canadian-American economic cooperation during the war and since has been by no means limited to the bilateral measures discussed above. Both the Canadian and United States Governments took very active parts during the war in planning the organizational framework of postwar international cooperation. Both Governments likewise participated in emergency international organizations established during the war, including in the economic field the United Nations Relief and Rehabilitation Administration, the United Nations Interim Commission on Food and Agriculture, and the Provisional International Civil Aviation Organization, the seat of which was located in Canada. Permanent international economic agencies in which both Canada and the United States participate include the International Bank for Reconstruction and Development, the International Monetary Fund, the Food and Agriculture Organization of the United Nations, the International Civil Aviation Organization, and the International Labor Organization, in addition to the Economic and Social Council of the United Nations. Still in the process of evolution, with Canadian and American support, is an International Trade Organization.

The Canadian and United States Delegations to all these international organizations do not always agree, of course, on the manifold and complex problems with which the organizations deal. There have been frequent differences of opinion. The two Governments, however, have a similar basic approach to many of the problems of international economics and, having worked so closely together on matters of bilateral interest, they find it comparatively easy to cooperate in the multilateral sphere.

Indeed, as early as November 30, 1942, the United States and Canada reached an agreement²¹ that looked forward to expanding their bilateral cooperation into world cooperation. Officers of the two Governments recorded this agreement in the following terms:

"They are in agreement that post-war settlements must be such as to promote mutually advan-

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THE ECONOMICS OF PEACE IN THE "INTERIM PERIOD"

by George C. McGhee

Aside from the appalling human and social wreckage which it created, the war left much of the world in a desperate economic situation. The United States now faces the necessity of taking a role of leadership in restoring the world to some semblance of normalcy. We have inherited grave responsibilities both in political and in economic matters, which are in themselves so tightly bound together that we cannot separate them.

Most Americans would undoubtedly like to withdraw from the rest of the world, enjoy the fruits of their own favored economic system, and live out their own lives. But it simply can't be done. We cannot escape our responsibilities in the one world of today.

Why are we, for example, being unified into effective action by distant happenings in Greece? Few of us know much about modern Greece. Her people, customs, and government are different from ours. Yet Greece is in trouble and the American people have decided to go to her aid with American goods and skilled American technicians. We Americans have honest humanitarian impulses; we are capable of great generosity. But these are not the only motives which impel us to spend so many millions of dollars for Greece.

Greece's troubles are typical of those that exist in many countries of the world today. Greece has been invaded by brutal and destructive enemies. Her industrial plant has been largely destroyed. Her agriculture has been retarded by loss of manpower and horsepower, deterioration of soil, and loss of seed crops, eaten by starving people instead of being planted. Even before the war Greece was not a prosperous country. Her living standards and the economic opportunities for her people were low. The postwar period has brought her poverty, starvation, and—as a natural accompaniment—political disorders which have led to the present efforts of an armed minority, inspired from abroad, to take over the government.

But why are our own national interests affected by the troubles of Greece? The answer is that the economic and political evils which attack any nation in the world are today as infectious as disease germs and take as little account of political borders. If left unchecked, trouble in other countries will surely spread to the United States.

Back in the early 1930's our own economic difficulties deeply affected most other countries. We have been involved in two world wars, both of which started thousands of miles away from us. In both wars we were able to keep the actual shooting away from our country. We now face a similar problem in keeping the economic and political ills of the postwar world away from our own land.

We are shareholders in a corporation—the world—and we can't sell out. This world corporation has a long history showing capacity to produce and make profits, but just now it has lost much of that capacity—in operating capital, manpower, and plant. The United States, as a shareholder, is in a position to advance working capital and help reconstruct plants so the corporation may get back on its feet. We are doing that very thing in Greece and elsewhere throughout the world.

Why are we doing it? Because if the world does not recover, it will eventually be drawn into economic and political bankruptcy, and we into quarrels with our fellow stockholders. Between nations as between individuals, bad trade relations give rise to retaliations which result in decreased world production and lower living standards. This in turn breeds political unrest and the desire for aggression against other more prosperous peoples.

While it cannot be said that a healthy world economy will in itself prevent war, it is certainly true that friendly and profitable trade relations tend to prevent friction that often leads to war. It is toward the achievement of such relations that the economic foreign policy of the United States

is directed. Our policy is framed with the over-all economic well-being of the United States as its first objective. It is not a give-away policy, and it is not aimed at achieving domination over other countries. But it recognizes that Americans cannot continue their high living standards unless the rest of the world is reasonably prosperous.

General expansion of world trade and production is one of the immediate goals of our economic foreign policy. This expansion will result in more goods available, more employment, and higher living standards both here and abroad. World trade enables each individual to produce those things which he is best able to produce. This is different for different persons and different countries, just as some farms—and some farmers—are better fitted to produce fruit than cotton or tobacco. Maximum production is possible only when people can produce what they can produce best and can trade their products freely and fairly—either across the county line or across a national boundary.

The United States must have foreign markets for many of its principal farm and factory products. It is true that of our total national production, less than 10 percent is usually sold directly in foreign markets. But the percentage is much greater for many important agricultural and industrial enterprises.

It is not just the American producer of something actually sold in a foreign market who benefits from American export business. The people who have jobs either producing or handling these goods become paying customers in the home market for all American goods. The man who has a job in an automobile factory in Detroit, for example, buys overalls and shirts made of Southern cotton, and smokes cigarettes made of Southern tobacco. If exports of American automobiles were shut off—as they were in the early 1930's—cotton and tobacco would pile up again in unsaleable surpluses.

That is the export side. The import side is equally or more important to Americans. Our industries must have essential raw materials from abroad, including certain vital ores. There is a long list of critical and strategic minerals and metals not found in this country, or available in inadequate quantities, which are necessary in our manufacture of steel alloys and other products. Such needs have been intensified during the war by

the great expansion of our industrial production. If our industries are to maintain the present production levels, we shall continue to need far greater imports than before the war.

Furthermore, under the necessity to speed up our war production, we are using up certain vital natural resources which we used to take for granted. Our own supplies of lead, zinc, copper, and petroleum are already short of our needs. From being a "have" nation we are rapidly becoming, in certain commodities, a "have-not" nation. Whereas we once exported copper we must now import 200 million dollars' worth a year from Chile and other sources.

There are many things which come only from abroad which we use every day in our homes: coffee, bananas, tea, silk, and so forth. In addition there are many other goods, including many luxuries such as fine fabrics, perfumes, high-quality leather and textile goods, which we can obtain to better advantage from abroad.

American consumers need and want these things from abroad, and they also need jobs in order to pay for them. Millions of Americans have jobs producing crops and manufactured goods for export. It is almost wholly through our imports of foreign goods that other countries can pay for the things we want to sell them, or repay the loans which we have made them.

Another major objective of our economic foreign policy is to get rid of discriminations in international commerce. These discriminations—preferential tariff rates, bilateral and exclusive deals between nations, import licensing and exchange-control devices, and others—hold down total world trade and cause resentment and retaliation between nations.

Still a third important purpose of our economic foreign policy is to preserve, in this country at least, the principles of private enterprise and free competition upon which the American economy was developed. Since World War I, many foreign governments have followed an increasing tendency toward governmental regulation of their commerce, especially their trade with other countries. Some governments are not only strictly controlling their foreign trade but are actually conducting it.

Americans believe, however, from their own experience, that commerce will reach maximum

levels and be carried on more efficiently in the hands of experienced private traders. Successful private traders have a wealth of detailed knowledge gained by actual trading over many years. They know the intricacies of consumer demand, seasonal fluctuations, and the vagaries of the markets in which they buy. They can make prompt decisions. They can take risks when risks are justified. Foreign trade, especially, demands the freedom of action which it can have only in the hands of private citizens, not governments.

The United States Government has already organized and launched a number of measures, both independently and in cooperation with other countries, for accomplishing its international economic objectives. It has taken the lead in this effort because, as the strongest economic power in the world, it is the only country able to undertake the job, and because it has a very great deal at stake.

The United States was the leading participant in setting up the International Bank for Reconstruction and Development and the International Monetary Fund under the Bretton Woods agreements. The Bank was created as the agency through which national governments would cooperate in providing private or government capital to help war-devastated countries restore their economies. It was also created to assist undeveloped countries build up their industries so as to use their manpower and natural resources efficiently. It will provide some of the working capital needed to get a bankrupt world off dead center.

During the period since the war, the United States Government has, furthermore, taken extensive action of its own to accomplish purposes similar to those of the international bodies which I have mentioned. Very large direct loans and credits have been extended, such as the three and three-quarter billion dollar loan to the United Kingdom, and loans to France, Italy, Czechoslovakia, and others. Total relief given during this period—for which repayment is not asked—amounts to three billion dollars.

The world cannot, however, live forever on artificial injections of loans and relief grants. A rebuilt world plant will be able to stand once more on its own feet only if a large and steady flow of international trade is resumed. Trade is the life blood of a healthy world economy.

Representatives of this Government, led by Under Secretary Clayton, who himself was once one of this country's greatest traders, are meeting now in Geneva, Switzerland, with representatives of 17 other trading countries. These countries ordinarily carry on, among them, some two thirds of the world's international commerce. This is the first attempt, on such a large scale, to seek the solution of common trade problems through international consultation and cooperation.

The Geneva meeting has two purposes. One is to negotiate reciprocally for reductions in governmental barriers to international trade and the elimination of discriminations in trade. The other is to write a code of fair conduct in international trade—a charter for a proposed permanent International Trade Organization.

Governmental trade restrictions and discriminations are a major factor in holding down world trade. They are important sources of international irritation and ill will. No one nation, however, is willing or even able to abandon its use of such measures unless the nations with which it trades will do the same thing. At Geneva the countries are bargaining, each offering reductions in its tariff quotas or other barriers, in return for reductions by other countries.

The chain of events leading up to the Geneva meeting goes back to 1934 when the Congress passed the Trade Agreements Act and the United States Government launched the Hull reciprocal trade-agreements program, so called because of Secretary of State Cordell Hull's sponsorship and initial administration of the program. The act authorizes the President to negotiate trade agreements with foreign countries and to modify United States tariffs and other import restrictions, in order to make the agreements effective. This authority was granted for a period of three years and has been renewed four times. The most recent renewal was in 1945, when Congress not only extended but increased the authority of the President to reduce tariffs in trade agreements.

Because the United States relies chiefly on its tariff system for control of imports, the chief bargaining stock of the American Delegation is the lowering of American tariffs. In return, we are asking the other countries to relax their restrictions and trade discriminations, most of which operate to the disadvantage of our traders.

If we obtain in Geneva some of the objectives for which we are bargaining, private traders in the United States will be able to carry on their business with people in other countries with a minimum of assistance from this Government. If not, this Government may ultimately be forced to assist American traders by bargaining with other governments for entry of things which we want to sell abroad and for the right to purchase things which we want to buy. Inevitably, this means increased governmental control of American foreign commerce.

The second and closely related part of the job at Geneva is to draft a charter for an International Trade Organization. The draft now being considered there requires that each nation becoming a member of the organization shall negotiate with the other member for reduction of trade barriers and abolition of discriminations, as the nations now at Geneva are doing.

The charter will cover other matters as well. One is an undertaking by each member to take all practicable steps to maintain full employment and buying power in its own economy, by methods which will not injure other members. Another is agreement to consult with and assist other members in their industrial and economic advancement. Still another is agreement to limit and regulate the use of subsidies, quotas, cartels, and other obstacles and discriminations in trade.

A major purpose of the charter is to provide for consultation among members on trade matters and the cooperative settlement of trade problems. The trade organization will not be a policing organization. It will not undertake to regulate or dictate to members on trade matters. Its effectiveness will rest primarily on the good faith of the member nations in carrying out their agreement and on the mutual trade advantages which they will obtain through their membership in the organization.

The meeting at Geneva opened on April 10, and it is not yet possible to report in detail what has so far been accomplished on a project of such scope and technical complexity. Work on the reciprocal trade agreements and on the drafting of the charter is proceeding simultaneously. There is no denying the fact, however, that there remain difficult problems to be solved in Geneva. Possibly the greatest of these is the plain fact that foreign

countries do not have enough United States dollars to buy all the American products they need and that we could sell them. This limits those countries in the immediate concessions which they can offer us. Our 1947 exports, it is estimated, will total 16 billion dollars and our imports only 8 billion. The rest of the world just can't dig up the additional 8 billion dollars.

The ultimate solution of this problem, pointed out by Mr. Clayton early in the Geneva conference, is for the United States to increase its imports of goods and services which we want and need from the rest of the world, which will permit their production to increase. "Certainly," Mr. Clayton said, "we don't want to try to solve the problem by cutting down our exports—which would mean cutting down our own production and employment."

Our own delegation, furthermore, faces difficulties in offering tariff concessions on some important commodities—such as wool, sugar, or winter vegetables—because American producers fear the effects of increased imports. These products constitute key exports of other countries represented at Geneva.

When the work of the Preparatory Committee at Geneva is completed, the draft charter will be presented for consideration by an International Conference on Trade and Employment, which the Economic and Social Council of the United Nations expects to call in late 1947. It is hoped that 50 or more of the United Nations, and others, will attend that conference and adopt the charter, which will thereafter be presented to the different governments represented and to the Congress of the United States for approval. If everything goes smoothly the International Trade Organization should be set up and at work by the end of 1948.

The completion of the galaxy of international economic institutions will not, however, in itself assure an early solution to all of the world's economic problems. These institutions can succeed only to the extent that the principles upon which they are based are sound, and are accepted in good faith by the nations of the world. Until a more healthy world economy is attained, moreover, it will be difficult for the best-intentioned nations to abandon national solutions to their economic problems, even for principles which they sincerely

accept as offering the only ultimate solution to these problems.

This is why experts working in the international economic field have recognized that there would be what they have called an "interim period", between the end of the emergency measures taken immediately following the war and the time when the international institutions would be functioning fully and effectively. During this period it was expected that many nations would be forced to adopt short-range expedients, sometimes at variance with ultimate objectives.

The discussions at Geneva assume that there will be such an "interim period", how long no one quite knows, before all nations can abandon their wartime restrictions and rely on multilateral world trade and the free exchange of currencies. We are not, ourselves, beyond reproach in such matters. At this time our own State Department is asking the Congress to extend certain of our own wartime economic controls which we need a little longer. Actually the "interim period" is lasting longer than we thought, and while this period lasts we must be patient with those nations whose recovery has lagged behind our own, and must help them where we can along their difficult path to recovery.

Dean Acheson, Under Secretary of State, recognized clearly our continued responsibility during the "interim period" in his speech before the Delta Council on May 8, when he said, "The facts of international life also mean that the United States is going to have to undertake further emergency financing of foreign purchases if foreign countries are to continue to buy in 1948 and 1949 the commodities which they need to sustain life and at the same time rebuild their economies."¹ He recognized that existing national and international institutions were not in a position to handle these needs, which will require further financing on our part beyond existing authorizations.

Our programs of aid to Greece and Turkey illustrate well the realities of the "interim period." It is clear that the problems of neither country can be taken care of by existing United Nations machinery. The problem is urgent. If we want to preserve the independence of Greece and restore her economy we must act now. Only we are in a position to act.

This is why our Government plans to make available under the Greek program 50 millions of dollars for dollar reconstruction costs, even though we hope that funds for such purposes ultimately can be provided by the International Bank. This is why we plan to spend 20 millions of dollars on agricultural rehabilitation in Greece. The Food and Agriculture Organization was not set up to do this sort of job. This is why we must resume United States Government procurement of many of the requirements for the Greek and Turkish programs at the same time we are seeking to terminate the activities of other Government purchasing commissions in our country. This is why we are asking the Greeks to establish import controls and exchange restrictions at the same time we are negotiating for general removal of restrictions at Geneva.

The recognition of an "interim period" does not represent any lack of faith in the United Nations or its institutions. It does not mean that we do not have full confidence that these institutions will ultimately succeed. It means that until they do we must continue to meet from day to day our national responsibilities.

We must not be doctrinaire. We must be effective. We must not rely on tomorrow's solutions for today's problems. To do so would really mean embracing a new form of isolationism. We must keep our eyes on the stars but our feet on the ground.

¹ BULLETIN of May 18, 1947, p. 991.

Current United Nations Documents: A Selected Bibliography

There will be listed periodically in the BULLETIN a selection of United Nations documents which may be of interest to readers.

Printed materials may be secured in the United States from the International Documents Service, Columbia University Press, 2900 Broadway, New York City. Other materials (mimeographed or processed documents) may be consulted at certain designated libraries in the United States.

Economic and Social Council

Economic and Employment Commission. Activities of the United Nations Secretariat Arising Out of Recommendations of the Economic and Employment Commission and Resolutions of the Economic and Social Council. (A Note Prepared by the Secretariat . . .) E/CN.1/33, May 26, 1947. 17 pp. mimeo.

Commission on Human Rights. Sub-Commission on Freedom of Information and of the Press. Textual Comparison of Draft Agenda for the Conference on Freedom of Information. (Prepared by the Secretariat). E/CN.4/Sub.1/22, May 21, 1947. 9 pp. mimeo.

Cumulative List of Documents Issued for the Third Session of the Economic and Social Council. E/244, Oct. 30, 1946. 25 pp. mimeo. Also, Addendum to Cumulative List. . . . E/244/Add.1, May 27, 1947. 3 pp. mimeo.

Fiscal Commission. Report to the Economic and Social Council on the Work of the First Session of the Commission by Dr. A. R. F. Mackay, Representative for New Zealand, General Rapporteur. E/440, May 29, 1947. 9 pp. mimeo.

Commission on Human Rights. Drafting Committee. Memorandum on Historical Background of the Committee. E/CN.4/AC.1/2, May 29, 1947. 7 pp. mimeo.

Report of the Sub-Commission on Freedom of Information and of the Press to the Economic and Social Council and to the Commission on Human Rights. E/441, June 5, 1947. 18 pp. mimeo.

Draft Agreement Between the Food and Agriculture Organization of the United Nations and the International Labour Organization. E/442, June 6, 1947. 9 pp. mimeo.

Membership of the Sub-Commission on Prevention of Discrimination and Protection of Minorities. E/443, June 10, 1947. 4 pp. mimeo.

Economic and Employment Commission. Second Session. Memorandum on International Action To Maintain World Full Employment and Economic Stability Sub-

mitted by the Representative of the United States. E/CN.1/36, June 3, 1947. 5 pp. mimeo.

—Memorandum on Reports on World Economic Conditions and Trends Submitted by the Representative of the United States. E/CN.1/37, June 5, 1947. 6 pp. mimeo.

Commission on Human Rights. Drafting Committee. Draft Outline of International Bill of Rights. E/CN.4/AC.1/3, June 4, 1947. 17 pp. mimeo.

—United States Suggestions for Redrafts of Certain Articles in the Draft Outline. E/CN.4/AC.1/8, June 11, 1947. 7 pp. mimeo.

—International Bill of Rights. Resolution Adopted by the Economic and Social Council on 24 March 1947. E/CN.4/AC.1/9, June 11, 1947. 13 pp. mimeo.

—Sub-Commission on Freedom of Information and of the Press. Texts of Statements made at 21st Meeting . . . E/CN.4/Sub.1/32, June 9, 1947. 28 pp. mimeo.

Economic and Social Council. Fourth Session, 28 February to 29 March 1947. Disposition of Agenda Items and Check List of Documents of the Council, Its Committees and Sub-committees. Prepared by the Documents Index Unit. E/INF/13, May 26, 1947. 46 pp. mimeo.

General Assembly

Statement by the Representative of Poland Before the Fourth Meeting of the Committee on Progressive Development and Codification of International Law, 15 May 1947. A/AC.10/19, May 15, 1947. 7 pp. mimeo.

Methods for Enlisting the Co-operation of Other Bodies, National and International, Concerned With International Law. A/AC.10/22, May 16, 1947. 22 pp. mimeo.

Committee for the Progressive Development of International Law and Its Codification. Statement by the Representative of the Netherlands Before the Fourth Meeting of the Committee, 15 May 1947. A/AC.10/23, May 16, 1947. 5 pp. mimeo.

Confirmation to the United Nations

The Senate on June 10, 1947, confirmed the nomination of Monnett B. Davis to be the Representative of the United States of America on the Economic Commission for Asia and the Far East established by the Economic and Social Council of the United Nations on March 28, 1947.

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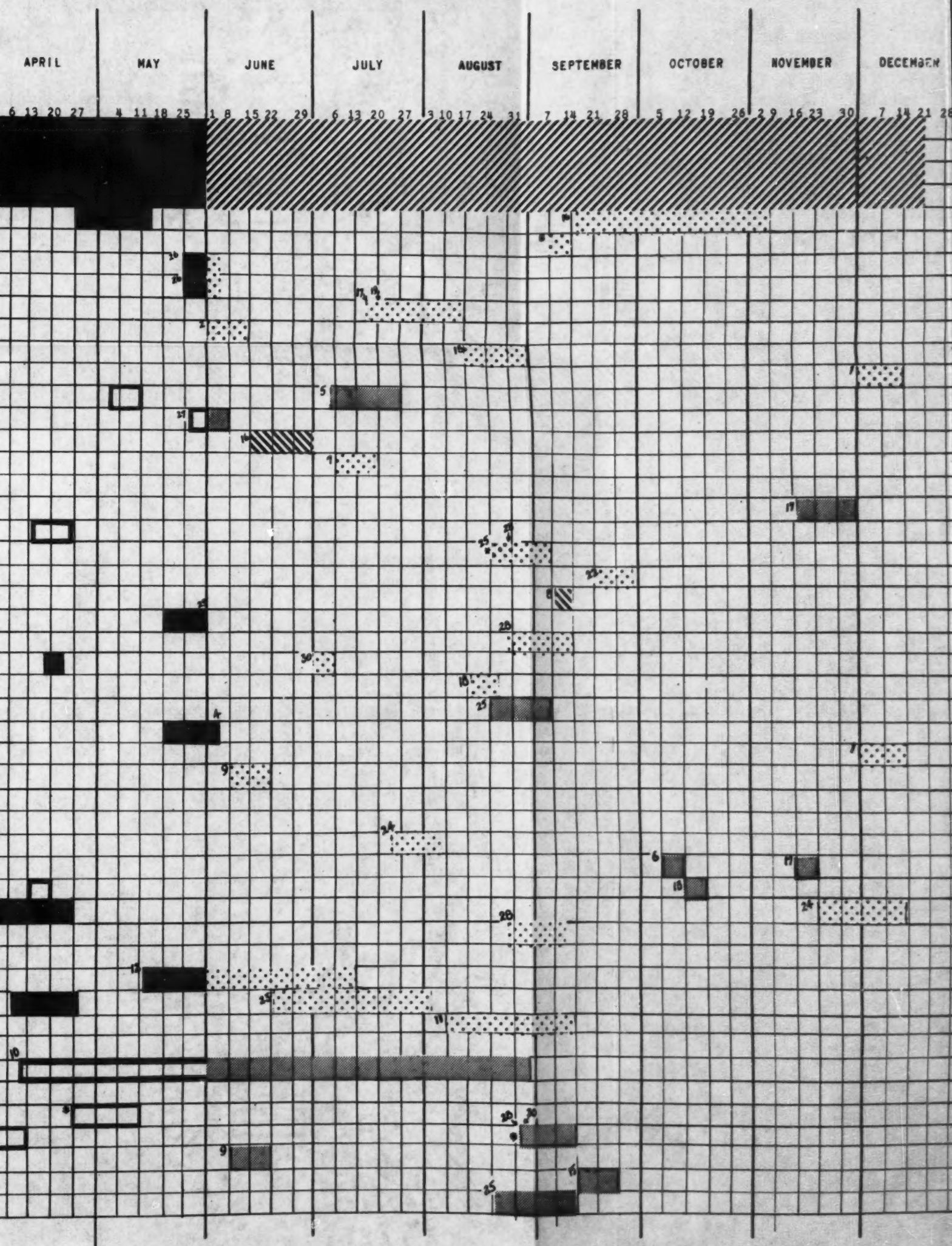


	JANUARY	FEBRUARY	MARCH	APRIL
	5 12 19 26	2 9 16 23	2 9 16 23 30	6 13 20
Security Council				
Atomic Energy Commission				
Commission on Conventional Armaments				
Miscellaneous not otherwise included				
General Assembly				
Committee on Procedure				
Joint Committee on Rules of Procedure-Admission of New Members				
Preliminary Session of the Special Committee on Palestine				
ECOSOC and Standing Committees				
Economic and Employment Commission				
Sub-Commission on Economic Development				
Sub-Commission on Economic Stability and Employment				
Committee of the Whole-Economic Commission for Asia & Far East				
Far East Working Group on Economic Reconstruction of Devastated Areas				
Transport and Communications Commission				
Statistical Commission &* (Committee on Industrial Classification)				
Sub-Commission on Statistical Sampling				
Fiscal Commission				
Social Commission				
Temporary Social Welfare Committee				
Population Commission				
Commission on Human Rights				
Sub-Commission on Freedom of Information				
Sub-Commission on Prevention of Discrimination & Protection of Minorities				
Drafting Committee on Bill of Rights				
Commission of the Status of Women				
Technical Committee on Relief Needs After Termination of UNRRA				
Narcotics Drugs Commission				
Trusteeship Council (3)				
Committee on Information Transmitted under Article 73e (3)				
Conference of International Organizations				
Committee on the Development of International Law & Codification				
Advisory Committee on Administrative & Budgetary Questions				
Committee on Contributions				
Drafting Committee-Preparatory Commission-UN Conf. on Trade & Employment				
United Nations Conference on Trade and Employment (2) (3)				

UNITED NATIONS CONFERENCES 1947

CONFERENCES HELD TO DATE

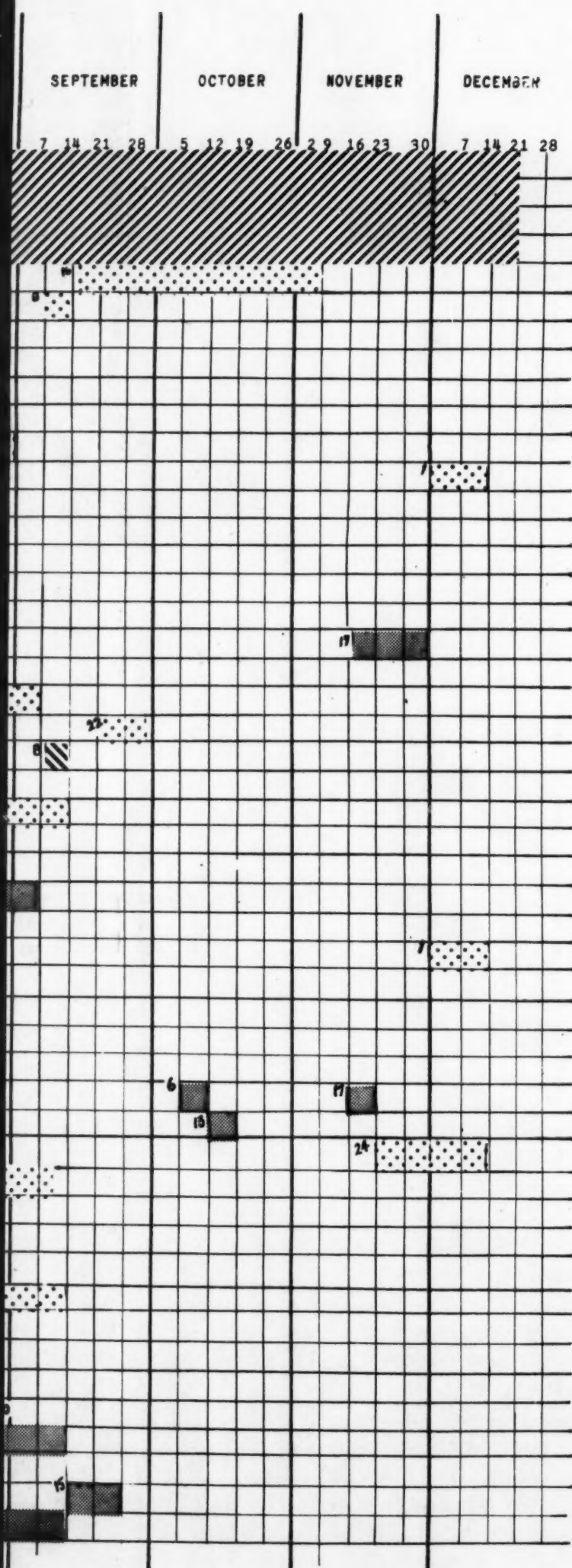
HEADQUARTERS
 GENEVA



- (1) MAY NOT BE HELD UNTIL 1948
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Economic Commission for Europe
Committee of Transport Experts of the ECE
Economic Commission for Asia and Far East (Shanghai)

Transport and Communications Commission
Conference on Passport and Frontier Formalities-Experts

World Statistical Congress (Washington)

Commission on Human Rights

Narcotics Drug Supervisory Body
Permanent Central Opium Board

Preparatory Commission - United Nations Conference on Trade & Employment
United Nations Conference on Trade & Employment (2) (3)
Preparatory Commission of the IRO "(Lausanne)
Preparatory Commission of the WHO (" & Committee on Administration & Finance)
Committee on Biological Standardization
Expert Committee on Causes of Death
Food and Agriculture Organization - General Assembly

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INTERNATIONAL ORGANIZATIONS AND CONFERENCES

Calendar of Meetings¹

In Session as of June 15, 1947

Far Eastern Commission	Washington	1946 Feb. 26
United Nations:		
Security Council	Lake Success	Mar. 25
Military Staff Committee	Lake Success	Mar. 25
Commission on Atomic Energy	Lake Success	June 14
		1947
Commission on Conventional Armaments	Lake Success	Mar. 24
Committee on Progressive Development and Codification of International Law	Lake Success	May 12-June 17
ECOSOC (Economic and Social Council):		
Economic and Employment Commission: Second Session	Lake Success	June 2-June 17
Human Rights Drafting Committee	Lake Success	June 9
		1946
Inter-Allied Trade Board for Japan	Washington	Oct. 24
German External Property Negotiations (Safehaven):		
With Portugal	Lisbon	Sept. 3
With Spain	Madrid	Nov. 12
		1947
With Turkey	Ankara	May 29 ²
International Conference on Trade and Employment: Second Meeting of the Preparatory Committee	Geneva	Apr. 10
Congress of the Universal Postal Union	Paris	May 7
Council of Foreign Ministers: Commission To Examine Disagreed Questions of the Austrian Treaty	Vienna	May 12
FAO (Food and Agriculture Organization): Rice Study Group	Trivandrum, Travancore, India	May 15-June 6
International Radio Conference	Atlantic City	May 15
ILO (International Labor Organization): 102d Session of the Governing Body	Geneva	June 13-17

Scheduled for June-August 1947

United Nations:		
Economic Commission for Asia and the Far East:		
First Session	Shanghai	June 16
Committee of the Whole	Lake Success	July 7
Economic Commission for Europe: Second Session	Geneva	July 5
ECOSOC (Economic and Social Council):		
Fifth Session	Lake Success	July 19
Narcotic Drugs Commission: Second Session	Lake Success	July 24
Subcommission on Economic Development	Lake Success	Aug. 18 ²
Population Commission: Second Session	Lake Success	Aug. 18 ²

¹ Prepared in the Division of International Conferences, Department of State.

² Tentative.

Calendar of Meetings—Continued

		1947
United Nations: ECOSOC—Continued		
Human Rights Commission: Second Session	Geneva	Aug. 25 ²
Statistical Commission: Second Session	Lake Success	Aug. 28 ²
Social Commission: Second Session	Lake Success	Aug. 28 ²
Permanent Central Opium Board	Geneva	Aug. 25 ²
Committee on Information From Non-Self-Governing Territories	Lake Success	Aug. 28 ²
ECITO (European Central Inland Transport Organization): Seventh Session of the Council (Second Part).		
	Paris	June 17
ICAO (International Civil Aviation Organization):		
South American Regional Air Navigation Meeting	Lima	June 17
South Atlantic Regional Air Navigation Meeting	Rio de Janeiro	July 15
Aerodromes, Air Routes, and Ground Aids Division	Montreal	Aug. 19
ILO (International Labor Organization):		
30th Session of the International Labor Conference	Geneva	June 19
Permanent Agricultural Committee	Geneva	July
Sixth International Conference of Labor Statisticians	Montreal	Aug. 4
Industrial Committee on Iron and Steel Production	Stockholm	Aug. 19
"Journées Médicales de Bruxelles", 21st Session	Brussels	June 21-25
Caribbean Commission: Fourth Meeting	Jamaica	June 23-28
International Sugar Council	London	June 24
International Congress of River Transportation	Paris	June 26-28
IARA (Inter-Allied Reparation Agency): Meeting on Conflicting Custodial Claims.	Brussels	June ²
International Telecommunications Plenipotentiary Conference	Atlantic City	July 1
International Council of Scientific Unions: Executive Committee	Paris	July 1-2
International Rubber Study Group	Paris	July 1-10
Special Cereals Conference	Paris	July 9
IRO (International Refugee Organization): Third Part of First Session of the Preparatory Commission.	Lausanne	July 15
Fourth International Congress on Microbiology	Copenhagen	July 20-26
Seventh International Congress of Administrative Sciences	Bern	July 23-30
UNESCO (United Nations Educational, Scientific and Cultural Organization): Executive Board.	Paris	July 24
FAO (Food and Agriculture Organization):		
Panel on Soil Erosion Control	Washington	July
Meeting of Specialists on the Control of Infestation of Stored Food Products.	London	Aug. 6
Executive Committee	Geneva	Aug. 21
Annual Conference: Third Session	Geneva	Aug. 25
International Meteorological Organization: Meeting of Technical Commissions.	Toronto	Aug. 4-Sept. 13
WHO (World Health Organization):		
Committee on Administration and Finance	Geneva	Aug. 28
Fourth Session of the Interim Commission	Geneva	Aug. 30-Sept. 14
International High Frequency Broadcasting Conference	Atlantic City	Aug. or Sept.

²Tentative.

THE SELECTION OF PLANTS FOR REPARATIONS REMOVALS, DESTRUCTION, OR RETENTION IN JAPAN¹

1. Within those amounts of industrial capacity determined by the Far Eastern Commission for retention in Japan, for destruction, or for removal as reparations, the Supreme Commander for the Allied Powers should, in selecting specific plants, machinery, equipment, and other facilities, give consideration to the following:

a. Security and industrial disarmament requirements: facilities which have been employed in primary and secondary war industries and facilities in war-supporting industries, the operation of which was directly and closely related to war industries, should be removed in preference to those not so employed.

b. The achievement of a fair balance between:

(1) The general preferences of reparations claimants for plants, machinery, equipment and other facilities

(a) Of modern and efficient design and manufacture

(b) In good working condition and capable of being removed from Japan with minimum loss of value and efficiency

(c) In consolidated or integrated units

(d) Of special value or need to claimant countries, and

(2) The legitimate needs, as determined by the Far Eastern Commission, of Japan's peacetime economy for similar equipment having due regard for the geographical location of individual plants in reference to markets, raw materials, manpower, fuel supply, and complementary facilities; for variations in specific products as among types, sizes and other variable characteristics; and for the feasibility of repair and rehabilitation in Japan.

c. The occupation policies of dissolving large industrial and banking corporations which have exercised control over a great part of Japanese trade and industry.

d. Consistent with the provisions of paragraph a, b, and c, the following order of preference in the selection of particular plants, machinery and equipment for removal:

(1) Plants and equipment owned by the

ACTIVITIES AND DEVELOPMENTS

"Zaibatsu" concerns and other big industrial and financial concerns and companies

(2) Plants and equipment owned by other Japanese nationals, the Japanese Government, and by nationals and Governments of the countries which were allies of Japan

(3) Plants and equipment owned by nationals and Governments of the neutral countries.

2. Property of nationals of Members of the United Nations should be dealt with in accordance with FEC-226/1 (Destruction or Removal of United Nations' Property in Japan, Serial No. 76, approved 24 April 1947).²

EXPERTS MEET AT GENEVA TO PREPARE FOR A WORLD CONFERENCE ON PASSPORT AND FRONTIER FORMALITIES

A meeting of experts on passport and frontier formalities, called by the United Nations to prepare for a world conference on passport and frontier formalities, was held at Geneva, Switzerland, from April 14 to April 25, 1947. Delegates from 31 nations and observers from 5 nations³ attended the meeting to discuss the recommendations made by the International Chamber of Commerce, the Provisional International Civil Aviation Organization, the International Conference of National Tourist Organizations, the International Automobile Federation, the International Touring Association, the International Air Transport Association, and other international bodies for the simplification of documentary requirements and frontier formalities.

¹ Policy decision approved by the Far Eastern Commission on May 22, 1947, and released to the press on June 10. A directive based upon this decision has been forwarded to the Supreme Commander for the Allied Powers for implementation.

² BULLETIN of May 18, 1947, p. 986.

³ The 31 nations represented by official delegates were: Argentina, Australia, Belgium, Bolivia, Canada, Chile, China, Colombia, Czechoslovakia, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Greece, Guatemala, India, Iraq, Lebanon, Luxembourg, Mexico, Netherlands, Norway, Poland, Sweden, Turkey, Union of South Africa, United Kingdom, United States, and Venezuela. The five countries represented by observers were: Afghanistan, Brazil, Iran, New Zealand, and Yugoslavia.

In May 1946 the Temporary Transport and Communications Commission of the Economic and Social Council of the United Nations recommended to the Council that a world conference on passport and frontier formalities meet as soon as possible to simplify the nonimmigrant travel of peoples between countries. At its second session the Economic and Social Council adopted a resolution stating that a meeting of experts should be convened to prepare for a world conference on passport and frontier formalities. At its third session the Council requested the Secretary-General to prepare an agenda for the meeting of experts which would take into consideration the recommendations of official and other competent international groups on the subject of passports, visas, and frontier formalities. As a result, the Secretary-General submitted a preparatory memorandum containing a suggested agenda made by the various international groups. Invitations were issued to all the United Nations members to participate in this meeting. At the same time the suggested agenda was issued, which included a consideration of all the recommendations pertaining to passports, visas, and other frontier documents, in addition to such frontier formalities as police, currency, customs, and public health control.

The meeting of experts was opened on April 14 by David Owen, Assistant Secretary-General in charge of economic affairs of the United Nations. A decision was made by the Conference to take up all matters on the agenda in plenary session and to create a drafting committee to resolve problems of consolidation, summary, and wording. The drafting committee submitted its final report on Friday, April 25.

The recommendations of the United States Delegation were in general the most liberal presented. They were to a large extent adopted by the meeting and recommended to the attending governments. The recommendations finally adopted by the Conference and written into the report to the United Nations Economic and Social Council proposed acceptance of the following general principles:

(1) The maintenance of a single passport system based on the international type of passport; the encouragement on a reciprocal basis of the elimination of passport requirements by bi-

lateral agreements; the widening of the usefulness of the passport in terms of time and area; the fixing of passport fees in such a manner as not to bring in revenue exceeding the expenditure involved in the preparation and issuing of passports; and the simplification of formalities for obtaining passports.

(2) The universal abolition of exit visas and general simplification of exit formalities.

(3) Countries which have entered into agreements to abolish visas should undertake negotiations for further agreements of a similar nature, with the general abolition of visas as the ultimate objective; while the general abolition of transit visas is not feasible as an immediate measure, it would contribute to that end if they were abolished as widely as possible, especially by agreement between governments; the usefulness of the visa should be extended in terms of the number of journeys permitted, period of validity, and ports of entry.

(4) The adoption of universal abolition of visa fees as an objective and the elimination of discrimination on the basis of nationality, itinerary, purpose of visit, means of transport, or flag of vessel in such fees; the simplification of procedure for obtaining a visa; the elimination of discrimination against a visitor because his objective is the conduct of commercial business; and the elimination of all supplementary fees.

(5) The simplification and expedition of frontier controls and the provision of adequate facilities for their operation.

(6) The recommendation of a simplified certificate system for protecting currency of travelers entering and leaving exchange-control countries; an increase of exchange facilities at ports of entry; and the publication or regulation of rates of exchange.

(7) Advice to travelers on customs procedure; nonexamination of registered baggage in transit; combined and "en route" customs examination of hand baggage; and the general simplification of customs formalities.

(8) The elimination of charges for medical examinations; the simplification of health examinations; and the recognition of the standard inoculation and vaccination certificates.

As a final recommendation the meeting suggested that the Economic and Social Council

should consider, after a suitable interval, the desirability of convoking a further meeting of experts to review the position which had then been reached and if possible to make recommendations which might lead to further progress. The meeting expressed the hope that in the event that such a further meeting be held, a larger number of governments might find it possible to be represented.

Consistent with the purposes of the meeting of experts at Geneva, the Department of State has recently initiated the practice of giving nonimmigrant visas a validity of two years for nationals of governments which give American citizens the same or better treatment, and with which governments agreements have been concluded. (For example, the agreement with Sweden came into effect as of June 1, 1947.) This, it is believed, will go far to facilitate the movement of nonimmigrant

passenger traffic, since such visas will be valid for any number of entries into the United States within the validity of the visa.

With respect to the matter of reducing the number of papers and documents necessary for travel, the Department of State has recently adopted a new simplified and streamlined form, post-card size, known as "nonimmigrant form 257." This consolidates into one small document the alien-registration certificate and the nonimmigration-visa application.

The Visa Division of the Department of State also has under active consideration the matter of simplifying the procedure for renewing the validity of nonimmigration visas, which, when put into effect, should be of considerable assistance in connection with efforts to expedite and facilitate travel.

Fifth International Hydrographic Conference

ARTICLE BY REAR ADMIRAL ROBERT O. GLOVER AND REAR ADMIRAL LEO O. COLBERT

The Fifth International Hydrographic Conference, which was held at Monte Carlo, Monaco, from April 22 to May 5, 1947, was part of a continuing effort to coordinate the work of national hydrographic offices and promote the facility and safety of navigation in all the seas of the world. Adequate hydrographic surveys, accurate and up-to-date charts, comprehensive descriptions of coasts and ports, the study of physical phenomena affecting navigation, the improvement of hydrographic survey methods, and the development of navigational methods are all responsibilities of the national hydrographic offices. These services must be supplemented from day to day by a prompt and reliable system of navigational warnings issued as radio broadcasts or as printed *Notices to Mariners*. While each maritime country may readily survey and publish descriptions of its own coastal waters, it is dependent upon other countries for the basic data used in compiling its charts and publications for foreign coasts; and all countries have a community interest in the high seas and international waters.

The necessity for collaboration in the international phases of this work has long been recognized, but it was not until 1919 that the basis for a permanent organization was formulated by the

First International Hydrographic Conference, meeting at London and attended by delegates from 24 nations including the United States. As a result of this Conference, the International Hydrographic Bureau was established in Monaco in 1921, with a staff adequate to its prescribed liaison and technical duties. At intervals of about five years since its organization, the work of the Bureau has been reviewed by international hydrographic conferences and general directives covering future work have been agreed upon.

The Fifth Conference, which was the first since 1937, was attended by delegates from 16 of its member states: Argentina, Brazil, China, Denmark, Egypt, France, Greece, Monaco, Norway, Poland, Portugal, Siam, Spain, Sweden, the United Kingdom, and the United States. Uruguay was the only member not represented. There were also in attendance representatives of seven nonmember states: Chile, Germany (Allied supervisor of the German Hydrographic Institute), Italy, Mexico, the Netherlands, Turkey, and Yugoslavia. The first two plenary sessions were devoted particularly to the interests of the nonmember states, and the representatives of these states were present at many of the committee meetings. The Conference was also attended by

ACTIVITIES AND DEVELOPMENTS

observers from several international organizations. The agenda for the Conference included the disposition of a number of accumulated technical proposals submitted by the member states.

The participation of the United States in this Conference was conducted, under the guidance of the Department of State, by the two principal hydrographic establishments of this Government: the Hydrographic Office of the Navy Department, which prepares and publishes nautical charts and navigational texts for international and foreign waters; and the Coast and Geodetic Survey of the Department of Commerce, which prepares and issues similar publications for United States waters. The United States Delegation to the Conference was announced in the *BULLETIN* of March 30, p. 575.

Early in the meeting special committees were formed to consider the following phases of work: statutes, eligibility, finance, charts, nautical documents, tides, and work of the Bureau. On the agenda of the Conference were a large number of technical proposals accumulated during a 10-year period. These proposals were discussed in committees, and specifications were adopted that will promote the accuracy of nautical charts and their utility to the navigators of all maritime countries. New electronic surveying techniques have brought national triangulation systems into direct contact and necessitated measures to obtain increased accuracy in the fixing of geodetic positions controlling hydrographic surveying and charting. Of some general interest was a resolution designed to promote uniformity in the handling of geographic names on the nautical charts of all countries.

The statutes of the International Hydrographic Bureau were examined in detail but changed in only minor respects. Future relations between the Bureau and related maritime activities under the United Nations organizations were covered by the following resolution:

"The International Hydrographic Bureau is an organization founded in 1921 for the benefit of Hydrography and Navigation. Its objects and powers are laid down in Articles 6 to 17 of the Statutes which have been approved by the Governments of the States Members. Within these approved objects and powers, the International Hydrographic Bureau looks forward to a coordination of its activities with such maritime activities

of the United Nations as may develop for the furtherance of international effort in the maritime field."

The details of the work of the various committees and a verbatim report of the plenary sessions will be duly published in the printed "Report of the Proceedings of the Fifth International Hydrographic Conference" and distributed to member states by the International Hydrographic Bureau.

The formal recommendations of the Conference were in all cases consistent with the position of the United States. The technical recommendations, which constituted the bulk of the agenda, are not binding upon the member states, but experience has shown that they will be put into practice in nearly all instances and thereby preserve and extend a high degree of uniformity in the nautical charts and books that must, in many instances, serve the mariners of all nations.

The Fifth International Hydrographic Conference refreshed and strengthened the ties that exist among the personnel of the hydrographic institutions of all maritime nations. From contacts at the committee sessions and from many intimate discussions at other hours, they have become better acquainted with the peculiar problems of individual institutions and are in a better position to make an intelligent exchange of technical data and nautical charts and publications. This reacts to the benefit of the United States, because the documentation furnished to foreign-going navigators of naval and merchant vessels depends for its validity upon the data received from the foreign hydrographic offices.

The International Hydrographic Bureau has now accumulated a comprehensive reservoir of technical data that is peculiarly useful to newly formed hydrographic institutions. Siam, for example, credits the Bureau for continuous guidance during the most difficult period when it was developing its national hydrographic surveying establishment. As a direct result new surveys of the Siamese coast contribute to the safety of United States shipping in Siamese waters. It is expected that other minor maritime countries, including those on this Hemisphere, such as Colombia, Venezuela, and Mexico, when they undertake their own hydrographic work, may be similarly aided by the excellent technical pattern provided by the Bureau.

International Red Cross Committee Meeting

ARTICLE BY ALBERT E. CLATTENBURG, JR.

On September 5, 1945, the International Red Cross Committee at Geneva invited the Governments of the United States, Great Britain, the Soviet Union, China, and France to send to Geneva technical experts who might informally discuss with the Committee proposals for the revision of international conventions relating to the treatment of enemy prisoners of war and civilian internees. The Committee suggested that the meeting be held soon "so that the participating speakers may neither have lost sight of their war-time activities nor wholly be absorbed by other official duties." If the meeting was accepted by the governments first invited, the intention was stated to invite also the British Dominions, Belgium, Brazil, Czechoslovakia, the Netherlands, Norway, Poland, and Yugoslavia.

On February 5, 1946, the Secretary of State accepted on behalf of the United States Government the invitation of the International Red Cross. Acceptances were also received from the majority of the other governments named above. The meeting of experts was originally set for October 1946. Later developments, however, forced its successive postponement until the date finally agreed upon, April 14-26, 1947.

In order to make proper provision for American participation in the meeting, the Interdepartmental Prisoners of War Committee was established early in 1946, on which were placed representatives of the State, War, Navy, and Justice Departments. A representative of the American Red Cross was detailed as adviser to the Committee. Representatives of the Post Office Department participated in several of its meetings. The work of the Committee resulted in agreed recommendations for the modification of the Geneva prisoners of war convention and the Red Cross convention and for the adaptation of the prisoners of war convention to the treatment of civilian internees. It also considered the revision of the tenth Hague convention, dealing with hospital ships and various other technical problems which were likely to be discussed at Geneva.

On March 26, 1947, the following persons, all of whom had served on the Prisoners of War Committee, were designated as the members of the American Delegation to the meeting of government experts called under the auspices of the International Red Cross:

Chairman

Albert E. Clattenburg, Jr., Chief of the Special Projects Division, Department of State

Delegates

Brig. Gen. B. M. Bryan, Provost Marshal General, U. S. Army

Col. R. McDonald Gray, Personnel and Administration Division, War Department General Staff

Alwyn V. Freeman, Assistant Legal Adviser, Department of State

Eldred D. Kuppinger, American Consul, London

Observers

Col. J. V. Dillon, Provost Marshal, U. S. Army Air Forces

Harold W. Starr, Assistant General Counsel, American Red Cross

When the meeting opened at Geneva on April 14, 1947, there were present representatives of 14 nations, namely: Australia, Belgium, Brazil, Canada, China, Czechoslovakia, France, Great Britain, India, the Netherlands, New Zealand, Norway, the Union of South Africa, and the United States of America. It was announced that the Greek Delegation would not arrive, on account of an airplane accident which had destroyed its means of transportation. The Polish Delegation was expected that afternoon but did not arrive until later in the week, owing to transportation difficulties. Representatives of the Soviet Union and Yugoslavia did not attend the meeting. Judge Max Huber, the Honorary President of the International Red Cross, welcomed the delegates in a speech outlining the necessity for the meeting and the hope of the International Red Cross that the problems of regulating the conduct of belligerents toward the individual victims of war might be met promptly and definitely.

The delegates accepted the plan of conducting the conference and the agenda prepared by the International Red Cross Committee but insisted that the Committee provide a chairman for the plenary sessions of the meeting; with some reluctance, because he had hoped to participate in the discussions, the Committee selected Judge Huber to be the chairman of the plenary sessions of the meeting and thus the president of the conference.

Problems of organization having been met in the morning session on the first day, the meeting was divided in the afternoon into three technical committees to consider respectively (1) the treatment of sick and wounded and the establishments devoted to their care; (2) the treatment of prisoners of war; and (3) the treatment of civilians.

The technical committees forthwith selected their presiding officers and proceeded to work, well aware that they faced a colossal task if they were to cover the ground assigned to them during the short space of time allotted to the meeting. The scope of the effort of the technical committees is indicated by the following:

Committee I considered piecemeal each of the 39 articles included in the Geneva Red Cross convention of July 13, 1929, all the articles of the tenth Hague convention relating to hospital ships, and numerous draft conventions or annexes bearing on the treatment of sick and wounded, both military and civilian, and on the treatment of personnel, equipment, and installations devoted to their care. It recommended numerous changes necessary for the successful application of such provisions to circumstances of modern warfare.

Committee II considered piecemeal each of the 96 articles included in the Geneva prisoners of war convention of July 13, 1929, as well as a number of new suggested articles. It recommended extensive changes and rewordings designed to make the convention easier to apply uniformly, less susceptible of different interpretations, and more effective in protection of the prisoners.

Committee III wrote an entirely new draft convention on the protection of civilians, both enemy civilians in belligerent territory and civilians in occupied territory, comprising 40 principal articles, 4 annexes with a total of 92 articles, and 4 resolutions regarding additional provisions to be developed.

In arriving at the foregoing results, it was necessary for some of the committees to carry on their work late into the night. The amount of ground covered was, however, the occasion of a considerable sense of accomplishment on the part of the delegates and of compliments from members of the International Red Cross Committee. The relationships among the delegates were extremely pleasant and the degree of agreement achieved on most of the points discussed was remarkable.

Three principal documentary contributions to the success of the meeting were (1) the complete documentation prepared by the International Red Cross upon the basis of its wartime experience and its exchange of views the previous summer with delegations from national Red Cross societies of the Allied nations; (2) the complete projects for the revision of the prisoners of war and Red Cross conventions and for the adaptation of the former for the protection of civilian internees, brought to the meeting by the American Delegation; (3) the complete project for the protection of civilians in occupied territory, brought to the meeting by the French Delegation.

Aside from the contributions mentioned, numerous delegates had attended the Red Cross meeting of the preceding summer and were thoroughly familiar with the arguments, pro and con, on numerous contentious points. They were frequently able to save the delegates from once again covering well-trodden fields. In particular, the Delegations from the Netherlands and Norway brought specific recommendations with reference to difficult points that were of special interest to them.

The degree of agreement on numerous points, including some that had been expected to be contentious, was remarkable. In tabulating the achievements of the meeting, the American Delegation has compiled a list of 12 important points which were accepted, nearly all of them without any extensive disagreement. On the other hand, there proved to be a few important points upon which complete agreement was not possible. These points were as follows: (1) the definition of those partisans entitled to protection as prisoners of war; (2) the adaptation of provisions affecting maritime warfare adequately to meet modern conditions; (3) the character and identity of the international agency responsible for supervision of

execution of the conventions, having in mind: (a) the possibility that a protecting power may not be available, (b) the unlikelihood that any United Nations agency would be acceptable to the dissident belligerent in a future conflict, and (c) the reputed unacceptability of the International Red Cross Committee to certain governments.

Commencing with the afternoon of Thursday, April 24, there were held the four closing plenary sessions of the meeting. The first three of these meetings were devoted to discussions of and approval of the reports prepared by the technical committees. The fourth and final session was devoted to subjects of a more general nature. Discussion was held on the question of the possible amalgamation of all the conventions relating to the victims of warfare, on the possibility of calling a diplomatic conference to consider formal adoption of draft treaties before public interest abates and ratification becomes difficult to achieve, and the desirability of having the conventions adopted in at least two languages as official versions to facilitate translation. As a result of initiative by the Polish and Brazilian Delegations, an expression of the personal hopes of the delegates that further war could be avoided was unanimously adopted in phraseology devised by the British Delegation. The meeting then closed with warm words of praise for the generous and efficient hospitality of the International Red Cross Committee and for the fine spirit of cooperation and devotion to the interests of humanity displayed by the delegates.

The United States Delegation returned to Washington on May 20 and since that time has been oc-

cupied, so far as current duties permit, in putting the finishing touches on its report. The delegates expect to recommend the reconstitution of the Interdepartmental Prisoners of War Committee on a broader basis to consider in detail the results of the Geneva meeting so that this Government will be adequately prepared to further the prompt formulation of, and shortly thereafter to adopt, new conventions which will adequately set forth the rights and obligations of individuals, whether civilian or military, if war again plagues mankind. As presently scheduled, the next international meeting to consider such problems will be the Red Cross meeting at Stockholm in August 1948, which would be followed somewhat later by a formal diplomatic conference. In common with a majority of their fellow delegates, the United States Delegation felt that this schedule is too leisurely and will recommend that steps be taken to advance the dates of the meetings as much as possible. It is recalled that the Geneva conventions were not signed until 11 years after the armistice of November 11, 1918; that by that time many of the administrative experts familiar with the operation of such conventions were unavailable for consultation; and that the question of treatment of civilians was deferred even then as not being too pressing and was to be considered formally only in 1940, leaving civilians of all sorts in belligerent and occupied territory without any formal international legal protection during the recent holocaust. Modern conditions have created such wide gaps in international law on these subjects that all the delegates to the Geneva meeting were convinced of the urgency of immediate remedial action.

Second Meeting of the U.N. Preparatory Committee for the International Conference on Trade and Employment

REPORT TO THE OFFICE OF PUBLIC AFFAIRS, DEPARTMENT OF STATE

GENEVA, *June 2, 1947*.—Progress is being made in Geneva both in the drafting of the ITO charter and in the tariff negotiations.

Procedure on ITO Charter

To facilitate the charter drafting, the Preparatory Committee of 17 nations has worked out a timetable for consideration of the charter and has established two commissions which meet simultaneously working on different chapters of the charter. Commission A deals with chapter IV, which covers problems of economic development and investment, and chapter V on general commercial policy. Commission B deals with chapter VI on restrictive business practices and chapter VII on intergovernmental commodity arrangements.

The present schedule calls for completion of discussions on chapters IV through VII by mid-July. Chapters I, II, and VIII on purposes, membership, and organization are scheduled for later consideration.

After full discussion in the two commissions, articles on which there is no controversy are approved. If any issues remain outstanding, a small subcommittee or subcommittees may be appointed by the chairman of Commission A or B, as the case may be, to deal with the issues developed by the discussion. Such committees ordinarily consist of four or five delegates, who represent the differing viewpoints expressed. The subcommittee's job is to reconcile the differences of views which have been presented in the Commission A or B sessions and to prepare a draft text which they believe might be unanimously accepted by the Preparatory Committee.

Inevitably the discussion reflects the various national problems that confront the countries represented. For example, those nations which are not yet highly developed industrially are especially concerned with the ways and means by which they can develop more domestic industry. The United States has been concerned that the charter provide adequate opportunities for expanding international trade and investment and safeguarding

both from hampering restrictions. The U.S. has consistently pointed out, moreover, that the aims of the underdeveloped and the highly developed nations are complementary.

Draft General Agreement on Tariffs and Trade

In the first session of the Preparatory Committee in London during October and November 1946, a draft of a general agreement on tariffs and trade was drawn up. This draft agreement reproduces many provisions from the London draft of the ITO charter. When a final draft on these provisions is agreed on by the Preparatory Committee, they will become part of the general agreement on tariffs and trade. The purpose of the agreement, which would be signed by the countries involved in the trade negotiations, is to make effective among themselves such provisions of the draft ITO charter as are applicable at this stage. Further, the draft agreement states that the signing of this agreement, prior to the world trade conference, "will constitute concrete achievement capable of generalization to all countries on equitable terms".

At present the draft general agreement includes the following ITO charter articles: article 14 on general most-favored-nation treatment, article 15 on national treatment of internal taxation and regulation, article 16 on freedom of transit, article 17 on antidumping and countervailing duties, article 18 on tariff valuation, article 19 on customs formalities, article 21 on publications and administration of trade regulations, article 25 on general elimination of quantitative restrictions, article 26 on restrictions to safeguard the balance of payments, article 27 on nondiscriminatory administration of quantitative restrictions, article 28 on exceptions to the rule of nondiscrimination, article 29 on exchange arrangements, article 30 on general undertaking regarding subsidies, article 31 on nondiscriminatory administration of state-trading enterprises, article 4 on maintenance of domestic employment, article 13 on governmental assistance to economic development, article 34 on emergency action on imports of particular products, article 35

on consultation-nullification or impairment, article 37 on general exceptions, article 38 on territorial application, frontier traffic, customs unions.

The draft general agreement on tariffs and trade presently provides that the schedules of concessions on particular products arrived at in the trade negotiations at Geneva be annexed to this agreement and become an integral part of it. Each party to the agreement will accord to the commerce of the other parties to the agreement the treatment which is provided for in the trade schedules. As a protection for these concessions, each party to the agreement is required not to alter the general principles applicable in its territory for determining dutiable value of incoming goods and for converting currencies so that the value of the concessions arrived at would not be impaired.

The draft agreement on trade and tariffs also provides for setting up an interim trade committee on which each party to the agreement will have one representative and one vote, to be responsible for implementing the agreement and for dealing with any disputes arising out of the interpretation or operation of this agreement. When the ITO has been established and is ready to function, the committee would be dissolved and its functions and assets turned over to the ITO.

Each government accepting the agreement, and so informing the Secretary-General of the United Nations, will be free to withdraw from the agreement after three years by notifying the Secretary-General, and the withdrawal would take effect six months later.

The countries which accept this agreement undertake to be guided in their international economic relations by the purposes of the ITO, which in essence are to promote national and international action which will expand the production, exchange, and consumption of goods, achieve higher standards of living, reduce tariffs and other trade barriers and eliminate discriminatory treatment in international commerce, encourage and assist general economic development, and facilitate solution of problems in the field of international trade, employment, and economic developments through consultation and collaboration.

The American Delegation is giving constant and careful attention to American views and comment on the draft charter that emerged from the London meeting. These views have been expressed through the informal hearings on the charter held

in the United States in February and March, through statements made in the hearings on the charter held by the Senate Finance Committee and through statements and briefs presented by organizations and individuals. The United States Delegation has presented to the Preparatory Committee amendments to the charter in the light of these comments. Other nations, too, are presenting amendments on many articles in the charter. All of these amendments are being thoroughly discussed in the commissions set up by the Preparatory Committee. Where many points of view are expressed, various of them in conflict with each other, a certain degree of compromise is required in developing a text of the charter which can be signed by the countries who are members of the Preparatory Committee for submission to the world trade conference which the United Nations will call later this year.

Trade Negotiations

By the end of May, 93 different trade negotiations had been opened and 9 additional negotiations were planned. The trade talks represent a monumental task. Many meetings have been proceeding between delegations of various countries, following the opening of negotiations.

When negotiations are opened, the two countries involved, having previously exchanged their requests on tariff and preference reductions and on elimination of other trade restrictions, proceed to exchange the offers they are prepared to make on the requests they have received. The next step is for each country to study the offers to determine how closely these offers meet their requests. In many cases where there is a wide gap between the offers and the requests, the two countries meet to discuss how they can proceed with negotiations. In some instances where the offer list is totally unsatisfactory in the light of the requests that are made, the negotiators may say they cannot proceed until a new offer list is presented.

In other instances, the requests and offers are close enough together so that discussions can proceed on the items that are listed.

Negotiations between the United States and specific countries are presently in various stages. In some instances the United States request list covers a very large number of items so that negotiations with some countries will take longer than in the case of others.

THE RECORD OF THE WEEK

Common Objectives and Ideals Manifested in U.S.-Canadian Relations

ADDRESS BY THE PRESIDENT¹

MR. PRIME MINISTER, HONORABLE MEMBERS OF THE SENATE, AND MEMBERS OF THE HOUSE OF COMMONS OF CANADA:

This is my first visit to Canada as President of the United States, and I am happy that it affords me the opportunity to address this meeting of the members of both houses of the Canadian Parliament. Here is a body which exemplifies the self-government and freedom of the nations of the great British Commonwealth. The history of the Commonwealth proves that it is possible for many nations to work and live in harmony for the common good.

I wish to acknowledge the many courtesies extended to me on this visit by the Governor General, Viscount Alexander, who paid me the honor of a visit in Washington a few months ago. His career as a soldier and as a statesman eminently qualifies him to follow his illustrious predecessors.

For the courtesy of appearing before you, as for other courtesies, I am sure I am largely indebted to my good friend, Prime Minister Mackenzie King. I have come to value and cherish his friendship and statesmanship. As our two nations have worked together in solving the difficult problems of the postwar period, I have developed greater and greater respect for his wisdom.

Americans who come to know Canada informally, such as our tourists, as well as those whose approach is more academic, learn that Canada is a broad land—broad in mind and in spirit as well as in physical expanse. They find that the composition of your population and the evolution of

your political institutions hold a lesson for the other nations of the earth. Canada has achieved internal unity and material strength, and has grown in stature in the world community, by solving problems that might have hopelessly divided and weakened a less gifted people.

Canada's eminent position today is a tribute to the patience, tolerance, and strength of character of her people, of both French and British strains. For Canada is enriched by the heritage of France as well as of Britain, and Quebec has imparted the vitality and spirit of France itself to Canada. Canada's notable achievement of national unity and progress through accommodation, moderation, and forbearance can be studied with profit by her sister nations.

Much the same qualities have been employed, with like success, in your relations with the United States. Perhaps I should say "your foreign relations with the United States." But the word *foreign* seems strangely out of place. Canada and the United States have reached the point where we no longer think of each other as "foreign" countries. We think of each other as friends, as peaceful and cooperative neighbors on a spacious and fruitful continent.

We must go back a long way, nearly a century and a half, to find a time when we were not on good terms. In the War of 1812 there was fighting across our frontier. But permanent good came of that brief campaign. It shocked Canadians and Americans into a realization that continued antagonism would be costly and perilous. The first result of that realization was the Rush-Bagot agreement in 1817, which embodied a spirit and an attitude that have permeated our relations to this day. This agreement originally was intended to limit and to regulate the naval vessels of both

¹ Delivered before the Canadian Parliament at Ottawa on June 11, 1947, and released to the press by the White House on the same date. The President was the guest of the Canadian Government from June 9 to June 12.

countries on the Great Lakes. It has become one of the world's most effective disarmament agreements and is the basis for our much-hailed unfortified frontier.

I speak of that period of history to make the point that the friendship that has characterized Canadian-American relations for many years did not develop spontaneously. The example of accord provided by our two countries did not come about merely through the happy circumstance of geography. It is compounded of one part proximity and nine parts good will and common sense.

We have had a number of problems, but they have all been settled by adjustment, by compromise, and by negotiations inspired by a spirit of mutual respect and a desire for justice on both sides. This is the peaceful way, the sensible way, and the fair way to settle problems, whether between two nations that are close neighbors or among many nations widely separated.

This way is open to all. We in Canada and the United States are justifiably proud of our joint record, but we claim no monopoly on the formula.

Canada and the United States will gladly share the formula, which rejects distrust and suspicion in favor of common sense, mutual respect, and equal justice, with their fellow members of the United Nations. One of the most effective contributions which our two countries can make to the cause of the United Nations is the patient and diligent effort to apply on a global scale the principles and practices which we have tested with success on this continent.

Relations between Canada and the United States have emphasized the spirit of cooperation rather than the letter of protocol. The Rush-Bagot agreement was stated in less than 150 words. From time to time it has been revised by mutual agreement to meet changing conditions. It was amended as recently as last December.

The last war brought our countries into even closer collaboration. The Ogdensburg agreement of 1940 provided for the creation of the Permanent Joint Board on Defense. It was followed by the Hyde Park agreement of 1941, which enabled us to coordinate our economic resources with increased efficiency. Common interests, particularly after Pearl Harbor, required the creation of several joint agencies to coordinate our efforts in special fields. When victory ended the necessity for these

agencies, they were quietly disbanded with a minimum disturbance of the national economies of the two countries.

The Permanent Joint Board on Defense will continue to function. I wish to emphasize, in addition to the word *permanent*, the other two parts of the title. The Board is joint, being composed of representatives of each country. Canada and the United States participate on the basis of equality, and the sovereignty of each is carefully respected. This was true during the gravest days of the war and it will continue to be true, in keeping with the nature of all our joint undertakings.

The Board was created, and will continue to exist, for the sole purpose of assuring the most effective defense of North America. The Board, as you know, has no executive powers and can only make recommendations for action. The record of the Board provides another example of the truly cooperative spirit that prevails between the two countries.

The spirit of common purpose and the impressive strength which we marshalled for action on all fronts are the surest safeguard of continental security in the future.

The people of the United States fully appreciate the magnificent contribution in men and resources that Canada made to the Allied war effort. United States soldiers, sailors, and airmen in the heat of battle knew their Canadian comrades as valiant and daring warriors. We look back with pride on our association as staunch allies in two wars.

Today our two nations are called upon to make great contributions to world rehabilitation. This task requires broad vision and constant effort.

I am confident that we can overcome the difficulties involved, as we overcame the greater difficulties of the war. The national genius of our peoples finds its most satisfying expression in the creation of new values in peace.

The record proves that in peaceful commerce the combined efforts of our countries can produce outstanding results. Our trade with each other is far greater than that of any other two nations on earth.

Last year the flow of trade in both directions across the border reached the record peacetime total of two and a quarter billion dollars. We imported from Canada more than twice the value of goods we received from the United Kingdom,

France, China, and Russia combined. United States purchases from Canada were about six times our purchases from Great Britain, nearly ten times those from China, and eleven times those from France. We sold to Canada nearly as much as we sold to Britain and France together.

Gratifying as the volume of our trade now is, it is capable of even further expansion to our mutual benefit. Some of our greatest assets are still to be developed to the maximum. I am thinking of one particularly that holds tremendous possibilities, the magnificent St. Lawrence-Great Lakes System, which we share and which we must develop together.

The St. Lawrence project stirs the imagination of men long accustomed to majestic distances and epic undertakings. The proposal for taking electric power from the river and bringing ocean shipping 2,400 miles inland, to tap the fertile heart of our continent, is economically sound and strategically important.

When this program is carried out, the waterway that is part of our boundary will more than ever unite our two countries. It will stimulate our economies to new growth and will speed the flow of trade.

There have been times when shortsighted tariff policies on both sides threatened to raise almost insurmountable barriers. But the need to exchange goods was so imperative that trade flourished despite artificial obstacles. The reciprocal trade agreements of 1936 and 1939 made possible a sensible reduction of tariff rates and paved the way for our present phenomenal trade.

Something more than commercial agreements, however, is required to explain why Canada and the United States exchange more than two billion dollars' worth of goods a year. Ambassador Atherton has aptly given the reason as not "free trade," but "the trade of free men". That record flow of goods and the high standard of living it indicates, on both sides of the border, provide a practical demonstration of the benefits of the democratic way of life and a free economy.

The benefits of our democratic governments and free economies operating side by side have spread beyond our countries to the advantage of the whole world. Both nations expanded their productivity enormously during the war and both escaped the physical damage that afflicted other countries. As a result, Canada and the United States emerged

from the war as the only major sources of the industrial products and the food upon which much of the world depends for survival.

Canada has responded as nobly to the challenge of peace as she did to that of the war. Your wheat has fed millions who otherwise would have starved. Your loan has strengthened Britain in her valiant battle for recovery.

The United States is particularly gratified to find Canada at our side in the effort to develop the International Trade Organization. We attach great importance to this undertaking, because we believe it will provide the key to the welfare and prosperity of the world in the years immediately ahead.

In sponsoring the International Trade Organization, the United States, with the cooperation of Canada and other countries, is making a determined effort to see that the inevitable adjustments in world trade as a result of the war will result in an expanding volume of business for all nations.

Our goal is a vast expansion of agriculture and industry throughout the world, with freer access to raw materials and markets for all nations, and a wider distribution of the products of the earth's fields and factories among all peoples. Our hope is to multiply the fruitfulness of the earth and to diffuse its benefits among all mankind.

At this critical point in history, we of the United States are deeply conscious of our responsibilities to the world. We know that in this trying period, between a war that is over and a peace that is not yet secure, the destitute and the oppressed of the earth look chiefly to us for sustenance and support until they can again face life with self-confidence and self-reliance.

We are keenly aware that much depends upon the internal strength, the economic stability, and the moral stamina of the United States. We face this challenge with determination and confidence.

Free men everywhere know that the purpose of the United States is to restore the world to health and to re-establish conditions in which the common people of the earth can work out their salvation by their own efforts.

We seek a peaceful world, a prosperous world, a free world, a world of good neighbors, living on terms of equality and mutual respect, as Canada and the United States have lived for generations.

We intend to expend our energies and invest our substance in promoting world recovery by

assisting those who are able and willing to make their maximum contribution to the same cause.

We intend to support those who are determined to govern themselves in their own way, and who honor the right of others to do likewise.

We intend to aid those who seek to live at peace with their neighbors, without coercing or being coerced, without intimidating or being intimidated.

We intend to uphold those who respect the dignity of the individual, who guarantee him

equal treatment under law, and who allow him the widest possible liberty to work out his own destiny and achieve success to the limit of his capacity.

We intend to cooperate actively and loyally with all who honestly seek, as we do, to build a better world in which mankind can live in peace and prosperity.

We count Canada in the forefront of those who share these objectives and ideals.

With such friends we face the future unafraid.

Position on a United States of Europe

LETTER FROM SECRETARY OF STATE TO CHAIRMAN OF SENATE COMMITTEE ON FOREIGN RELATIONS

June 4, 1947.

DEAR SENATOR VANDENBERG: I refer to your letter of March 24, 1947, acknowledged by the Department on March 28 in regard to S. Con. Res. 10 introduced by Senator Fulbright and Senator Thomas of Utah. The Resolution states that the Congress favors the creation of a United States of Europe within the framework of the United Nations.

I assume that the Resolution has been deliberately phrased in general terms for the purpose of endorsing a principle without raising numerous important questions of detail.

I am deeply sympathetic towards the general objective of the Resolution which is, as I understand it, to encourage the peoples of Europe to cooperate together more closely for their common good and in particular to encourage them to cooperate together to promote the economic recovery of Europe as a whole.

Of course the United States wants a Europe which is not divided against itself, a Europe which is better than that it replaces. Only as we can inspire hope of that can we expect men to endure what must be endured and make the great efforts which must be made if wars are to be avoided and civilization is to survive in Europe.

But we should make clear that it is not our purpose to impose upon the peoples of Europe any particular form of political or economic association. The future organization of Europe must be determined by the peoples of Europe.

While recognizing that it is for the peoples of Europe to determine the kind of organized effort which may be appropriate to facilitate the peaceful development of a free Europe, the United States welcomes any initiative which may be taken by the peoples of Europe within the framework of the United Nations to ensure greater cooperation among themselves to expedite the reconstruction and restoration of the economy of Europe as a whole, to improve living standards, to strengthen the general security and to promote the general welfare.

To avoid any misunderstanding as to our purpose, I believe it desirable that some of the ideas I have expressed here be embodied in the Resolution. Perhaps the authors of the Resolution might consider adding a preamble along these lines.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Faithfully yours,

G. C. MARSHALL

June 22, 1947

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Regret Expressed That Yalta Commitments Remain Unfulfilled in Hungary, Rumania, and Bulgaria

STATEMENT BY THE PRESIDENT UPON RATIFICATION OF PEACE TREATIES

[Released to the press by the White House June 14]

At the time of ratification of the treaties establishing peace with Hungary, Rumania, and Bulgaria, I feel I must publicly express regret that the governments of those countries not only have disregarded the will of the majority of the people but have resorted to measures of oppression against them. Ever since the liberation of these countries from the Nazi yoke and the commitments undertaken by the three Allies at Yalta, I had hoped that governments truly representative of the people

would be established there. Such governments do not exist today in those three countries.

It is, however, in the interests of the Hungarian, Rumanian, and Bulgarian peoples to terminate the state of war which has existed between their governments and the United States for over five years. The establishment of peace will mean that all occupation forces (not including Soviet units needed to maintain lines of communication to the Soviet zone of occupation in Austria) will be withdrawn from these countries and armistice Control Commissions terminated.

New Era Anticipated for Italy

STATEMENT BY THE PRESIDENT UPON RATIFICATION OF PEACE TREATY

[Released to the press by the White House June 14]

With the ratification of the treaty of peace with Italy we bring to a close an unhappy chapter in Italian-American relations. At the same time we mark the beginning of a new era for Italy to which the Italian people can look with hope and confidence. Certain of the terms of the treaty are not in full accord with our desires. But the re-establishment of peace does provide a foundation for building anew a strong, free, and democratic Italy. And within the framework of the United Nations it should be possible to secure such changes in the treaty clauses as may be required in the light of future experience.

From the first days of the Allied liberation of Italy we found the Italian people as eager as we ourselves to destroy the tyrannies of Fascism and Nazism which had despoiled their country and destroyed their liberties. Marching by our side against the common foe, the Italian armed forces

and the Italian people contributed mightily to the ultimate victory. This common sacrifice has strengthened the deep and lasting friendship between our two peoples. More than this, Americans have the satisfaction of standing at the side of Italy while her people, through adversity, are rebuilding with their own labors a new democracy and restoring their lost freedoms. During these most difficult years we have been able to do much to help the Italians to help themselves.

In order that their victory, and ours, may be preserved—in order that their freedoms and their reborn democracy may live and grow as Italy again takes her rightful place of honor and leadership among the free nations of the world—Americans will continue to stand by the side of their Italian friends, to work with them in our common efforts to rebuild and to restore a free world at peace.

Protest of Arrest of Hungarian Smallholders Party Leader

NOTE FROM U.S. REPRESENTATIVE ON ALLIED CONTROL COMMISSION FOR HUNGARY TO SOVIET ACTING CHAIRMAN

[Released to the press June 11]

The United States Representative on the Allied Control Commission for Hungary, Brig. Gen. George H. Weems, was instructed to deliver the following note to Lt. Gen. V. P. Sviridov, Soviet Acting Chairman of the ACC. Copies of this note were also furnished the Hungarian Government through the Legation at Budapest and the British and Soviet Governments through the Embassies at London and Moscow

On instructions from my Government, I addressed you two communications, on March 5¹ and March 17,² regarding developments in Hungary, including the arrest on February 25 by the Soviet occupation forces of Béla Kovács, a parliamentary deputy of the majority Smallholders Party and a former Secretary General of that party. On both occasions I proposed the establishment of a commission, composed of representatives of the three powers on the Allied Control Commission, to investigate the situation created by that action and by the large-scale apprehension, by the Hungarian police, of other representatives of the majority party on charges of complicity in a conspiracy against the authority of the Hungarian state. My Government considered and continues to consider the effect of these actions as threatening the continuance of democratic processes in Hungary.

In reply you stated that the arrest of Kovács was the exclusive concern of the Soviet occupation forces because he was charged with crimes against those forces. Hence, you contended, his arrest could not be regarded "as an intervention on the part of the Soviet occupation authorities in the internal affairs of Hungary". You argued further that a three-power investigation of the arrests of other members of the Smallholders Party by the Communist-controlled Ministry of Interior would be an interference with the internal

affairs of Hungary and therefore was refused. Thus, it appeared that to investigate the arrest of alleged Smallholder Party members charged with conspiracy against the state would interfere with Hungarian affairs, while for the occupation forces to arrest one of the most important alleged plotters was not such interference by the simple process of charging him with another offense.

It now develops, however, that his offense was the same conspiracy which could not be investigated by three powers but which has in fact been investigated by one and which has led to a most flagrant interference in Hungarian affairs. Information relating to Hungarian political affairs, alleged to have been elicited from Béla Kovács during his detention incommunicado by the Soviet occupation forces, has been furnished by the Soviet authorities to the Communist Deputy Prime Minister of the Hungarian Government in such circumstances as to force the resignation of the Hungarian Prime Minister and other important leaders of the majority Smallholders Party and to bring about the reorganization of the Hungarian Government. The United States and United Kingdom members of the Allied Control Commission have been kept in ignorance of this information in clear violation of paragraph 6(c) of the statutes of the Allied Control Commission which provides that the United States and United Kingdom representatives on the Allied Control Commission shall have the right "to receive copies of all communications, reports and other documents which may interest the governments of the United States and United Kingdom". My Government has taken note that this action has resulted in the realignment of political authority in Hungary so that a minority which obtained 17 percent of popular support in the last free election has

¹ BULLETIN of Mar. 16, 1947, p. 495.

² BULLETIN of Mar. 30, 1947, p. 583.

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nullified the expressed will of the majority of the Hungarian people, a situation which has apparently been admitted by the leader of the Communist minority, Rákosi, who is reported to have taken public satisfaction that his "iron-fisted" party, "conscious of its aims", has thus been able to take over control of Hungary.

My Government protests this unilateral action in violation of the Yalta agreements and this Soviet interference in Hungarian political affairs in derogation of the continued exercise of democratic rights in that country and of the freely expressed

will of the Hungarian people and again requests, as a member of the Allied Control Commission, the expeditious establishment of a three-power commission to examine the situation as a matter of urgency. Unless this or some equally effective action to bring about adequate investigation is agreed upon, my Government, conscious of its obligations under the Yalta declaration, as a signatory of the armistice with Hungary, and as a member of the United Nations, will consider such further action as may be appropriate in the circumstances.

REPLY FROM SOVIET ACTING CHAIRMAN TO U. S. NOTE ON HUNGARY

Translation of General Sviridov's reply of June 14 to General Weems' note of June 11

Confirming receipt of your letter of 11 June this year, I have honor to inform you that I cannot agree with the evaluation of the political situation in Hungary given in your letter. Your assertion of some change in the political power in Hungary, the nullification of the will of the majority of the Hungarian people and also of establishment of some kind of control over Hungary by the minority appears to be unfounded fiction.

It is known to all that the governmental crisis in Hungary was caused by the refusal of former Prime Minister Ferenc Nagy to return to the country notwithstanding the suggestion of Hungarian Government and leadership of the independent Smallholders Party, and his voluntary resignation which followed later.

This crisis was solved through efforts of all parties of coalition government in strict conformity with constitutional standards.

The new Hungarian Government headed by Prime Minister Lajos Dinnyes retained the previous distribution of portfolios among the coalition parties and remained basically the same as in the previous body. Towards this government was expressed the confidence of the overwhelming majority of the Hungarian people, which fact is attested by the declaration of national committee, signed by President of the Republic and leaders of all coalition parties, as well as unanimous de-

cision of confidence and granting of authority to the government by Hungarian Parliament.

All these facts have been widely publicized and undoubtedly are known to you; therefore after I had acquainted myself with your letter I could not help but notice in it attempts, under the disguise of defense of Hungarian democracy, to render support to separate individuals who have entangled themselves with conspirators, fled abroad from their people.

As far as concerns your statement of violation by me of paragraph 6 (c) of the statutes of the Allied Control Commission, in connection with turning over depositions in case of Béla Kovács to Hungarian Government, in conformity with request of Ferenc Nagy, this statement is based on a misunderstanding since these documents, as I have already notified you in my letter of 9 June, have no relation whatsoever to the activities of the Allied Control Commission.

Based on the foregoing I decline your protest as completely baseless since I cannot, from my point of view, see any unilateral actions which violate the Yalta Agreement; and also consider as fiction the statement of Soviet interference in Hungarian political affairs.

Taking the above into consideration I cannot agree with your proposal to establish a three-power commission to investigate the situation in Hungary, since I do not see any necessity for it and consider that this would be a rude interference in Hungarian internal affairs, which is not permissible.

Relations With Former Hungarian Prime Minister Nagy

EXCHANGE OF NOTES BETWEEN UNDER SECRETARY ACHESON AND THE PRIME MINISTER

[Released to the press June 10]

Under Secretary of State Dean Acheson on June 10 authorized the publication of his note, dated March 3, 1947, in reply to a message of greeting sent to the Under Secretary by Prime Minister Nagy of Hungary under date of January 10, 1947, through his son, Francis Nagy, Jr., who had arrived in Washington as attaché of the Hungarian Legation

March 3, 1947.

MY DEAR MR. PRIME MINISTER: I have received your kind message of January 10, 1947, which you sent to me through your son, Francis Nagy, Jr., now a member of the staff of the Hungarian Legation in Washington. It is a sincere pleasure to have this greeting from you.

In the months which have passed since your visit to the United States in June 1946, I have continued to follow events in Hungary with interest. I have noted with warm sympathy the will which the Hungarian people have shown to develop free and democratic institutions and their self-denying efforts to rehabilitate their national economy on a stable basis. These endeavors, I feel, have been well-guided by your leadership and that of President Tildy, and I have no doubt that in this duty you, in turn, have drawn strength and inspiration from the perseverance of your people. I can assure you that we here are giving close attention to the important problems affecting Hungary and, as you know, we are currently exploring in cooperation with the Hungarian Minister in Washington various possible means of extending further material assistance to your country.

In this period following upon the long and bitter years of war, we have had to deal with many difficult problems—problems which bear vitally on the welfare, happiness, and freedom of the peoples of the world. It is unfortunately true that, in some instances, the solutions which have been adopted in connection with the peace settlements as the only ones possible of agreement are not entirely satisfactory. Nevertheless, a beginning, however im-

perfect, has been made, and I am sure you will agree with me that we must now seek to consolidate the peace and to move ahead from this point along the paths of cooperation and freedom. I believe that progress and enduring peace for mankind will require not only our patience and understanding but also our steadfast support of the ideals and practices of free men.

The good will which the American people feel for the people of Hungary will not be diminished. It will, I am confident, continue to flourish, not alone because of the past friendship of our peoples but also because it will find new nurture in the common undertakings of peace upon which we are now engaged.

Sincerely yours,

DEAN ACHESON
Under Secretary of State

BUDAPEST, January 10, 1947.

MR. SECRETARY: My son, Francis Nagy, jr., a junior member of the foreign service, has been assigned to the Hungarian Legation in Washington and is now departing to take up his duties and at the same time to study at a University if that is practicable. I am availing myself to this opportunity, Mr. Secretary, to send you a letter, mindful of our unforgettable visit to Washington and of your kind and understanding hospitality. Since then the Hungarian people have had occasion to enjoy the results of your understanding and support. The National Bank's gold reserve, with which we created a solid basis for the stabilisation, is at home and from time to time displaced Hungarian property arrives to strengthen Hungarian economic life which is still struggling with many obstacles. Since then the Paris peace conference has been concluded and determined the basic principles of the peace treaty to be concluded with Hungary. The peace treaty will be burdensome on us but I place my trust in the Hungarian people's desire to live and in their husbandry, and I believe that they will be able to bear the burdens which the peace treaties will impose on us. All our

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efforts are devoted to the end that as soon as possible Hungary might become the home of a satisfied, free people and that it might contribute to the progress of mankind.

I beg you Mr. Secretary not to permit the good will you feel toward us and have given evidence of to be diminished and to continue to honor with your esteem these little peoples whose prime minister, overburdened with many cares, greets you with a grateful heart and with highest esteem.

NAGY FERENC M. P.

Concern Over Violation of Civil Liberties in Bulgaria

[Released to the press June 11]

The Yalta declaration on liberated Europe clearly defined the responsibilities of the Union of Soviet Socialist Republics, the United Kingdom, and the United States to aid the peoples of the former Axis satellite states to solve by democratic means their pressing political and economic problems. On various occasions the United States Government has officially expressed its deep concern with respect to political developments in Bulgaria that have appeared to be in complete disregard of both the spirit and the letter of the Yalta accord.

On June 7 the Acting United States Political Representative in Bulgaria sought in personal conversation with the Bulgarian Prime Minister a statement of the reasons for the lifting of the parliamentary immunity from arrest of the Opposition leader Nikola Petkov and his subsequent apprehension by the Bulgarian security authorities on the charge of conspiring with subversive foreign and domestic elements to overthrow the existing government.

As reported by the Acting Political Representative, the Prime Minister stated that intervention by foreign countries in Nikola Petkov's behalf would only arouse the suspicion that Petkov had underground connections abroad and that Petkov would be tried by the "sovereign country of Bulgaria and not in London or Washington".

This is not the first time the Bulgarian Prime Minister, other spokesmen of the Bulgarian Government in the Bulgarian Parliament, the official Bulgarian press, and even Bulgarian prosecutors, in bringing charges of treason against other but

lesser leaders in the struggle for the defense of political rights in Bulgaria, have insinuated subversive motives on the part of the United States Government in the support that it has given to the undertaking accepted by the Union of Soviet Socialist Republics, the United Kingdom, and the United States at Yalta to assure interim governments broadly representative of all democratic elements in the ex-satellite states.

Mr. Petkov was a legally elected member of the Bulgarian Parliament. He has been the head of the Agrarian Party and a leader of the Opposition in the Bulgarian Parliament. His leadership of the Bulgarian Opposition has evoked deep sympathy in the United States because he has openly fought for acceptance and perpetuation of civil liberties in his own country—principles that were agreed to at Yalta, that underlie the terms of the armistice with Bulgaria, and that article II of the peace treaty signed with Bulgaria was designed to protect and assure. One of the foundations upon which democratic parliamentary institutions rest is the recognition and acceptance of a legal opposition. Mr. Petkov, who has fearlessly represented such an opposition, has now been denied the privileges and immunities which attach to that parliamentary position and has been arbitrarily arrested by the organs of the governmental authority which he has lawfully opposed.

Despite the Yalta agreement, the armistice terms, and the provisions of the peace treaty assuring human freedoms in Bulgaria, the principal Bulgarian Opposition leader is now charged with treason. There can be no doubt that he will be tried in Bulgaria, "not in Washington or London", but it is just as certain that as he goes on trial in his own country so will the present Bulgarian regime be on trial in the minds of many Bulgarians and certainly in the opinion of all freedom-supporting peoples outside Bulgaria.

Nationalization of Industry in Rumania

[Released to the press June 13]

The Rumanian Parliament has recently passed two measures which provide the machinery for stringent government supervision of the country's industry for the next five years.

A bill (enacted April 5) granting sweeping powers to a reorganized Ministry of Industry and

Commerce was followed by the enactment of a so-called Industrial Offices Bill (May 24) authorizing the establishment of governmental offices for the close regulation of every phase of industry and trade with the single exception (for the time being) of petroleum.

The authorization for government control of production, distribution, domestic and foreign trade, prices, wages, profits, investments, and credits is so far reaching that it may well result in nationalization without compensation.

Consequently, the American Mission in Bucharest, prior to the passage of the Industrial Offices Bill, made representations to the Rumanian Government reserving all rights on behalf of American interests in Rumania in enterprises which might be adversely affected, stating that prompt, adequate, and effective compensation will be expected if American management is unable to continue.

Dwight P. Griswold Assumes Duties as Chief of American Mission for Aid to Greece

[Released to the press June 13]

Dwight P. Griswold arrived in Washington late on June 13 from Germany to assume his new post as Chief of the American Mission for Aid to Greece.

Mr. Griswold held conferences with Department officials after being greeted at the airport by officials of the Department, including George McGhee, Special Assistant to the Under Secretary for Economic Affairs, and Loy Henderson, Director of the Office of Near Eastern and African Affairs.

The new Greek Mission chief, nominated on June 6 by President Truman and confirmed on June 10 by the Senate, also began selection of the members of his staff and reviewed preliminary plans already made for the Mission.

In Germany, Mr. Griswold was Director of Internal Affairs and Communications in the American zone under General Clay. Governor of Nebraska from 1940 to 1946, he is a Nebraska banker and newspaper publisher and in World War I was a captain in the 127th Field Artillery. His home is Lincoln, Nebraska.

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Procedures for Filing Claims in Yugoslavia

[Released to the press June 13]

The Yugoslav Embassy has informed the Department of State of the enactment by the Federal People's Republic of Yugoslavia of a statute which provides as follows:

Holders of Yugoslav Government prewar internal-debt obligations payable in dinars and originating prior to April 18, 1941, must submit such securities to the Ministry of Finance of the Federal People's Republic of Yugoslavia, Division of Government Debts, at Belgrade, not later than June 30, 1947, for conversion into new 30-year three-percent government dinar bonds. (Cash will be paid for amounts less than 500 dinars.) In accordance with a law of 1945, conversion is to be made at the rate of one Federal People's Republic of Yugoslavia dinar to 10 prewar dinars.

Nonfunded claims of all kinds against the Yugoslav Government must also be registered by June 30, 1947, with the agencies where such claims originated.

Securities not received by the Yugoslav Ministry by June 30, 1947, will lose their value, and claims not registered with the appropriate agencies on or before that date will become void.

Each holder must deposit simultaneously all of the securities held by him and must submit with them a declaration enumerating, for each loan issue, the number of securities deposited and their present face value. The declaration must also state (1) whether or not additional securities will be deposited for the declarant's account by some other named person or institution, and if so, their class and present face value; (2) whether the declarant is submitting a statement of nonfunded claims, and if so, against which agencies and in what amounts such claims lie; and (3) in the case of foreign holders of securities, the citizenship of the declarant, and when and how he acquired possession of the securities involved. In the case of declarations relative to nonfunded debts, the declarant must give (1) his first and last name and his address; (2) the basis of his claim; (3) the proof supporting his claim; (4) the day, month, and year on which the claim originated; (5) the amount of the claim, in terms of prewar dinars; and (6) a statement whether he is submitting a declaration relative to any other

claim, and if so, the amount of such claim and the name of the agency with which it is being filed. Declarations relative to nonfunded claims must be submitted separately from declarations pertaining to government securities, and a special decision with regard to the conversion (into current dinars) of each nonfunded obligation will be made.

Each declaration must be signed by the holder or creditor, and in any case where the declarant is not the owner he must state the owner's name and address.

Holders of securities and creditors submitting nonfunded claims must transmit their declarations and securities or claims to the appropriate office at Belgrade at their own expense and risk. Yugoslav diplomatic representatives abroad have not been authorized to act as transmitting agents.

The funded debts to which the law applies are as follows:

1. Two-percent lottery loan—1881
2. Lottery loan—1888 (tobacco lots)
3. Four-percent bonds for settlement of the agrarian reform in Bosnia and Hercegovina—1921
4. Seven-percent investment loan—1921/1937
5. Two and one-half percent lottery bonds for war damages—1922/1934
6. Bonds for settlement of claims for Begluk estates—1929/1930 and 1932/1939
7. Six-percent bonds for settlement of the agrarian reform in the Territory of former Dalmatia—1930 and 1939
8. Four-percent government-guaranteed bonds for settlement of the agrarian reform on large estates—1934
9. Five-percent loan for public works—1935
10. Six-percent bonds for settlement of the agrarian reform in Bosnia and Hercegovina—1936
11. Three-percent bonds for settlement of farmers' debts—1936
12. Six-percent loan for public works and national defense, issues I and II—1938
13. Four-percent bonds for compensation to war volunteers—1939
14. Three and nine-tenths percent bonds for settlement of claims of Serbian Orthodox Church in Serbia and Montenegro—1939
15. Converted loan—1895 (bonds payable in dinars)
16. Five-percent monopoly loan—1902 (bonds payable in dinars)
17. Four and one-half percent railroad loan—1906 (bonds payable in dinars)
18. Lottery of the Serbian Society of the Red Cross—1907. However, bonds of this issue in the possession of foreign nationals do not have to be converted.
19. Four and one-half percent rearmament loan—1909 (bonds payable in dinars)
20. Five-percent loan—1913 (bonds payable in dinars)
21. Eight-percent government foreign gold loan of the Kingdom of the Serbs, Croats, and Slovenes, series A—1922 (bonds payable in dinars)
22. Seven-percent government foreign gold loan of the Kingdom of the Serbs, Croats, and Slovenes, series B—1922 (bonds payable in dinars)
23. Seven-percent foreign loan of the Government Mortgage Bank—1927 (bonds payable in dinars)
24. Seven-percent international stabilization loan—1931 (bonds payable in dinars)
25. Bonds of the former Austro-Hungarian Monarchy in crowns and other currencies, issued prior to 1914, and stamped after 1918 by Yugoslav authorities. Also the receipts for such debentures and bonds if they were withdrawn by said authorities after stamping.
26. Bonds of regional loans of the former Austro-Hungarian Monarchy in crowns and other currencies which were issued by the former regional governments before 1914.
27. Treasury notes and government treasury notes of the Ministry of Finance.
28. Four-percent Crown Prince Rudolph loan of 1884 and 1893, and coupon 128 of the four and one-half percent bonds of the Austrian railroad loan of 1913, to the extent of the established participation of Yugoslavia in these Austro-Hungarian obligations.

The law applies to all of the securities described, irrespective of the citizenship and/or residence of the holder, and regardless of the present location of the securities.

Reciprocity Principle in Air-Transport Agreements

STATEMENT BY THE SECRETARY OF STATE

[Released to the press June 12]

Certain testimony before Congress in the past few days leads me to believe that there is a general lack of understanding concerning the reciprocal bilateral air-transport agreements entered into by the United States. These are agreements between sovereign nations. The other nations have the right to grant or deny to our international air carriers the right to fly into their countries. Likewise, the United States may deny or grant to foreign carriers the right to fly into the United States. As in all other fields of international activity, these rights are exchanged on a reciprocal basis, to the mutual benefit of the two nations concerned. This principle of reciprocity is as old as the concept of sovereignty. Reciprocity has long been an accepted doctrine in fact, and was proclaimed by Congress in the Air Commerce Act of 1926.

American Traditions in Today's Foreign Policy

ADDRESS BY UNDER SECRETARY ACHESON¹

One of the splinters of inquiry which might be worth a footnote in a Ph.D. thesis is why people almost everywhere in the world like to take pot shots at the members of their foreign offices. Some of the reasons are pretty obvious and perhaps too embarrassing to delay me here. But in part they have to do with the vital stake which everyone has in the foreign relations of his country, and in part with the belief that these problems are easier than they are. At any rate one who has been on the receiving end of this pursuit for some years continually comes back to an observation of Senator Barkley on the floor of the Senate a year or so ago.

The Senator, then the majority leader, was confronted with criticism because he could not satisfy at once all the demands which several of his colleagues were making. He said that his attitude toward criticism was like that of the farmer's dog who used to go to town with his master. While the farmer was busy, small boys would catch the dog and tie tin cans to its tail. The dog got so used to this that whenever he saw a tin can he backed right up to it.

One who is bringing to an end a considerable period of service in the field of foreign affairs is naturally in a mood of appraisal and review. Have we conducted ourselves in the great world in these past six or seven years true to the traditions of our republic and to the interests of the American people? I am, of course, prejudiced, but the answer seems to me not difficult. I think it is: yes, we have.

To judge this answer, we have to ask, what are these traditions and these interests? They seem to me simple, even platitudinous. The basic, underlying, never-varying tradition of this republic is insistence upon the liberty of the individual, the worth of the individual, the ultimate test of truth by reference to the individual.

This has been our political, social, and moral mainspring. It has also been the motive power

of our vast development. By unleashing the enormous power of individual effort, imagination, energy, this country has attained its material position. It seems true in society, as in nature, that the greatest energy is created by releasing the power of the smallest unit. In one case, the individual; in the other case, the atom.

History and philosophy gave us this doctrine. Geography and experience have confirmed it. One of the great achievements of statesmanship in this country has been to adapt government to the furtherance of this release of the individual and not to its limitation and frustration. An outstanding illustration has been the way in which, under Mr. Lilienthal's guidance, a great governmental project, the TVA, has made power available over a vast area, not to be used by bureaucratic direction but vastly to enlarge the individual productiveness of millions of Americans.

This belief in the individual is in our blood. It is our most fundamental characteristic. It gives a certain typical disorderliness to our behavior which baffles some foreign observers. But it can no more be separated from us than our idea of humor, our generosity toward anyone in trouble, and our mobility—we are forever going somewhere. Even though this is so, we have no desire to force our behavior and ideas on other people. If, for reasons incomprehensible to us, they want to act differently and, to us, quite misguidedly, that is their affair. But we don't like them to push other peoples around, particularly when those other peoples are trying to live as we think all decent people should live.

With these traditions and interests the American people approach their relations with other countries. They have a sound and unshakable belief that liberty cannot exist here or anywhere,

¹ Delivered at the commencement exercises of Wesleyan University at Middletown, Conn., on June 15, 1947, and released to the press on the same date.

unless there is peace founded on freedom from aggression and unless there is ever-increasing productivity throughout the world. They know that while every people must attain and preserve their own liberty and free government, they can lose them from forces beyond their control when faced with fear of the attack of a foreign enemy, or with the loss of their means of livelihood:

This presents problems for those who work in our State Department. Americans want to be free and prosperous themselves. They want other people who wish to be free and prosperous to achieve those goals. But they sometimes believe that these ends can be reached by machinery, or gadgets, or through merely moral fervor, and without the pain of hard thinking, hard work, and some real risk and sacrifice.

Some, encouraged by eminent philosophers, have thought that liberty was the natural state of man and that its universal growth and acceptance was inevitable. I do not believe that for a minute. It seems to me that liberty has come to those whose stout hearts and hard heads have won it. Here, again, we must conclude with Justice Holmes that the mode by which the inevitable comes to pass is effort.

Certainly during the decade of the 1940's this country has devoted its supreme efforts toward the preservation of the liberty of nations and individuals. In the opening years of the decade we bent our efforts toward assisting those whom the Axis was attempting to subjugate, and toward impeding its bid to dominate the two most populous continents on the globe. This may have accelerated the attack upon us. But I think that few now doubt the necessity and rightness of our course, or the extreme danger in which any other course would have placed us. The war has now been won and the threats which caused it have been eliminated. But serious threats to the continued existence of liberty have not been eliminated. These come not only from the inevitable consequences of the war itself but also from the course pursued by certain governments.

During the war constructive foreign policy was not in abeyance. It followed two objectives closely related and mutually dependent—to establish the unity, mutual confidence, and cooperation of the great powers; and to create international organi-

zations, necessarily based on the assumption of this unity and cooperation, in which all nations could together guarantee both freedom from aggression and the opportunity for both the devastated and the undeveloped countries to regain and expand their productivity under institutions of their own free choice. These, as you have seen, were historic American objectives. They were also the stated purposes of the Allies throughout the war, beginning with the Atlantic Charter.

We did not pursue these objectives merely by exhortation or joint declaration and agreement. No people has ever given more tangible or extensive evidence of its good will and intention. Particularly is this true in our attitude toward the Soviet Union. One need mention only the most outstanding examples.

During the war we contributed to the Soviet Union 11½ billion dollars of the most vitally needed supplies. After the war, through UNRRA and governmental credits, we made available another half billion dollars' worth of goods for relief and reconstruction.

In our military operations we pursued purely military objectives. The cross-Channel invasion of Europe was directed solely toward the destruction of the German armies, not the occupation of territory. And when we overran our estimated and agreed objectives we withdrew to previously agreed zonal boundaries. These were acts, not words, based upon the premise of adherence to an agreement and of mutual confidence and loyalty.

Nor were these acts all. The whole series of arrangements for settlement in eastern Europe, Germany, and the Far East recognized to the full Soviet fears and interests, and were based upon confidence in their intention to carry out the pledged purposes of cooperation in Germany, respect for the rights of other nations to determine freely their own course of recovery and government, and the creation of a vigorous European and world recovery.

At the same time that these steps were being taken we pushed forward the establishment of international organization. This consisted not only of the United Nations Charter designed upon the foundation of Allied unity to guarantee international security, national liberty, and individual freedom, but of a whole series of special agencies which were to make sure that a favorable environ-

ment was created and maintained in which the broader purposes could be accomplished.

These were designed to provide relief in the early postwar period; to assure funds for reconstruction and development and to stabilize currencies over the longer run; to raise the level of agriculture both as the source of food and as the activity of most of the world's population; to promote and safeguard trade between nations; to protect the health of nations against epidemics; to facilitate the exchange of ideas, knowledge, and skills; to aid in the development of international transportation by air and sea—practically every activity which could encourage and make more safe, simple, and beneficial relations between nations.

Unhappily the whole course of recovery and the international pursuit of happiness has suffered deeply by the failure to attain or maintain great-power unity. This has come about by the Soviet Union's pursuit of policies diametrically opposed to the very premises of international accord and recovery. In eastern Europe the Soviet Union, over American and British protests, has used its dominant military position to carry on a unilateral policy, contrary to the Yalta agreements, by which free choice of their destiny has been denied those peoples. Even more important, the minority Communist regimes fastened upon those peoples have acted to cut them off economically from the community of Europe, curtail their productivity, and bind them to exclusive economic relations with the Soviet Union.

In the Far East the Soviet Union has dismantled the industries in Manchuria, has obstructed economic and political unification of Korea, and has not carried out its commitments for the return of Dairen to Chinese administration as a free port. These actions have seriously retarded economic recovery and political stability and have contributed vastly to a continuation of poverty and demoralizing uncertainty throughout the Far East.

In the Middle East Persia has been for some years in turmoil, first through Soviet occupation of its northern territories and then through Soviet-sponsored local attempts to separate those areas from Persia.

In Greece, torn and destroyed by the war beyond any other area, the incalculably difficult task of

rebuilding its plant, its production, its people's health and morale, and its governmental services has been threatened with total defeat by civil disturbances, aided, equipped, and protected by Greece's northern, Communist-controlled neighbors.

Similar disappointment has followed attempts to establish a just and sound peace. It is unnecessary to recount the weary course of the Italian and Balkan peace treaties from London to Moscow to Paris to New York, or to describe the substance of those negotiations. We can note without surprise the cynical and barefaced *coup d'état* in Hungary on the very eve of the Hungarian treaty's coming into effect. We note also, two years after Potsdam, that by reason of Soviet unwillingness we have not achieved German economic unification or written an Austrian treaty. As a result the recovery of Europe has been long delayed—tragically long.

This by no means exhausts the catalog, but it is enough to outline the difficulty and to indicate why it is that the United Nations, founded as I have said on the premise of great-power unity, has so often been unable to apply the principles set forth in its Charter and has instead had to furnish the forum for bitter, unprofitable, and inconclusive dialectics.

It would be quite wrong to leave the impression that the factors I have mentioned have been the sole cause of our present problems. It would have been serious enough that the great area east of the Stettin-Trieste line which contributed so much to Hitler's European economy has been exploited, disorganized, and cut off from western Europe. Nature and man have added other problems. Disasters do not come singly.

Two years of crop failures in Europe and one in the Far East, the most severe winter in half a century, which drained the meager coal supplies of England and Europe, and the inefficiency of the industrial plant, due to depreciation, failure of fuel and raw materials, lack of labor and many other causes—all of these have upset all calculations of recovery. Europe has had to use its resources of foreign money and credits, carefully husbanded to restore and improve equipment, merely to keep alive.

Billions of precious dollars saved for machinery, rails, locomotives, harbor equipment, and so forth,

have been spent for wheat and coal and the heavy shipping charges to carry them. Financially Europe is bleeding to death, and the period of shock and crisis will come next year. Nor will the crisis be purely European. We are today selling twice the value of goods which our customers can pay for with their sales to us. This is not merely true of stricken Europe, but of our nearest neighbors, Mexico and Canada. The loss of these sales will have, as it has had in the past, a profound repercussion throughout this land.

This is a depressing but not overdrawn report. The outlook, as Secretary Marshall has recently said, is serious. But it has been blacker within the past few years. The winter of 1941-42 was such a period. The dangers of those years were overcome by determination, by courage, and by endless effort. Today's problems can also be surmounted. Tragic as it is that we cannot achieve the whole promise which once seemed almost within our grasp, that is no excuse for not doing what we can. If our own power to help is limited, so is the power of others to impede. And upon our side are the great urges of individual spirits throughout the world to rebuild in some way and to push on to a better day.

We can do, and are doing, many things. We can expose for all to see the shams and frauds behind which peoples are deprived of their liberty by little groups supported by foreign power. The methods have not changed basically since the days of Maximilian in Mexico, merely improved in organization and brutality and propaganda techniques. But they dislike exposure, and it remains to be seen whether they can survive much longer than Maximilian did the withdrawal of the foreign bayonets.

We also can, and should, help within the limits of our capacity those who wish to help themselves. It was such an action that President Truman proposed to the Congress on March 12 in connection with Greece and Turkey and to which the Congress so overwhelmingly responded. This was not a novel proposal or an invitation to a crusade. It was typically and traditionally American.

This country has always responded to people struggling to attain or maintain their freedom. We have done so because it is important to us that they shall succeed. Sometimes we can do much, sometimes little, but the response is always there.

It was there in the case of Greece over a century ago and in the case of Hungary and Poland and Italy. It was there throughout the nineteenth century in the struggle of the Latin American states to obtain and keep their freedom from the encroachments of European powers. It underlay our efforts for decades to help China in her struggle against foreign subjugation.

So President Truman was acting and the Congress was acting in the truest and soundest American tradition. The case was an extreme one because Greece was near the abyss. But the principle was as old as our country. It is a sensible and hard-headed principle that where our help can be effective to enable people who are sincerely striving to remain free and to solve their own problems, that help will be given.

We should, and I hope will, continue to act in this way, not waiting for extreme crises to develop, not attempting to carry all the burdens of the world or to solve all its problems, but responding in a thoroughly realistic way to the proposals of those who are exhausting every possibility of their own efforts and powers of cooperation with others to maintain places where free men may remain free.

This, as I see it, has been the course of our foreign policy over these past few years. And it is our present course. It has not created the world of our dreams. But that is not our fault. It is the best course I know of, in the world as we find it, to preserve the possibility that a better world may some day eventuate. It is the best course to preserve all that we hold most valuable in life. It is a course that requires determination, intelligence, courage, and effort. It requires that Americans be made of good stuff.

"Citizens," said Milton, "it is of no small concern what manner of men ye be whether to acquire or to keep possession of your liberty."

THE CONGRESS

Tenth Report to Congress on Operations of UNRRA: Message from the President of the United States transmitting the tenth quarterly report covering the operations of UNRRA. H. Doc. 254, 80th Cong., 1st sess. 41 pp.

Amending the Organic Act of Puerto Rico. H. Rept. 455, 80th Cong., 1st sess., To accompany H. R. 3309. 6 pp. [Favorable report.]

Extension of Government Operation of Shipping Facilities

STATEMENT BY THE SECRETARY OF STATE¹

This Committee, I believe, is considering proposals to extend the Maritime Commission's authority to operate vessels after June 30 of this year and to extend the charter and sales authority of the Ship Sales Act.

I recognize the desirability of the Government's getting out of the ship-operating business as soon as possible, and that emphasis should be put on the disposal of vessels to both domestic and foreign operators in preference to either Government operation or the charter of Government vessels to private operators. There are, however, today a number of special problems of a temporary nature, arising out of the dislocations of the war, which make it necessary, in my opinion, for the Government to have the authority to operate and charter vessels in order to make available for use, with the maximum of flexibility, the tonnage absolutely necessary to meet urgent world needs. It is inconsistent for us to support programs for direct aid and financial assistance to foreign countries and then to tie our hands by lack of authority to use available shipping resources. When we make ships available either for sale or for use in foreign economic programs, we are saving the taxpayers' money by making most effective use of funds appropriated for such programs. Any limitations placed upon the availability of tonnage for world needs will only result in hampering the Government's efforts, to say nothing of possible serious consequences to shippers.

Under present circumstances it is not sound public policy to force the sale of vessels by prohibiting Government operation or charter to meet variable and uncertain demands of temporary and emergency programs. Such action would bring a rigidity into the supply side of the picture at a time when demand may be subject to wide fluctuations which cannot now be predicted.

The most urgent phase of the matter is the

extension of Maritime Commission operating authority in order to permit uninterrupted operation of tankers to avert a serious world-wide petroleum crisis. This Government's program of foreign assistance based upon commitments already approved by the Congress would be seriously affected by any cut in petroleum supplies in Europe in view of the existing fuel famine.

In addition to the tanker problem, it is equally important that the Maritime Commission have authority to either charter or operate dry-cargo vessels for a considerable period to meet the requirements of emergency programs, involving particularly the movement of coal and grain to Europe. Our ability to render help should not be hampered, in my opinion, by restrictions which prevent us from using surplus resources to assist countries which are sorely in need of such assistance.

It also appears urgently desirable for Congress to continue the authorization of the Maritime Commission to operate emergency passenger ships. These vessels are used for national interest traffic and the repatriation of American citizens, and their continued operation is necessary until adequate commercial facilities become available.

To sum up, what is needed at the present time is adequate authority to permit the effective use of the available shipping resources to assist in readjusting the dislocations arising out of the war and to facilitate the emergency movements which may be subject to considerable fluctuation and uncertainty during the next year or two. I hope Congress will see fit to provide the Maritime Commission with the authority necessary to assist in carrying out the programs which have been approved by Congress and our foreign economic policy.

¹ Made before the House of Representatives Committee on Merchant Marine and Fisheries on June 11, 1947, and released to the press on the same date.

STATEMENT BY UNDER SECRETARY CLAYTON²

Before going into details I would like to emphasize one point made by Secretary Marshall. It is one which I have advocated consistently in connection with our whole postwar shipping problem: The objective of the Ship Sales Act is primarily to dispose of our surplus vessels to both domestic and foreign operators, and that objective should take precedence over the charter of vessels and direct Government operation. The problems which are before us today largely arise either because of the degree to which the demand for purchase of vessels has not been met or because of certain temporary programs which can only be met through charter or direct operations. It is my hope that efforts for the disposal of vessels will be intensified so as to minimize or even eliminate the problem of charter or Government operation in the shortest possible time.

With this general picture in mind, I would like first to refer to the urgent necessity for Congressional action to permit the continued operation of Government-owned tankers.

At the present time, U.S. Government-owned tankers constitute a quarter of the tanker tonnage in operation throughout the world. In the absence of appropriate legislative action by our Government, it will be necessary to withdraw these Government-owned tankers from operation on June 30. Since the world tanker fleet even now is no more than adequate to meet the demands upon it, such a step would precipitate a disastrous and wholly unnecessary shortage of petroleum products.

In addition to the vessels owned by the Government, another quarter of the world's operating tanker tonnage is made up of privately owned tankers operating under the United States flag. These vessels are adequate to meet our coastwise requirements but do not cover our import requirements. Nevertheless, tankers privately owned by

United States citizens and operated under the Panamanian flag could probably be counted upon in an emergency. Including these two groups, our privately owned tanker fleet would theoretically be adequate to meet our normal estimated domestic requirements but would provide no margin for exceptional contingencies. However, since some of the United States privately owned tankers are employed in foreign trade under long-term contractual arrangements, they would not be in a position to serve United States trades without considerable delay and possibly governmental requisition to force a cancellation of present commitments.

The disastrous consequences of an induced world shortage of tankers become fully apparent when the effect upon foreign countries is considered. The withdrawal from operation of a quarter of the world's operating fleet coupled with the restriction to U.S. coastwise and import trade of all U.S.-owned tankers would leave the rest of the world with less than two thirds of the tonnage required to meet its needs.

It is difficult to exaggerate the seriousness of the effect an interruption of petroleum shipments would have upon European and world recovery. Because of the critical shortage of coal, the European economy is more than ever dependent upon petroleum as its basic fuel, and an inadequate fuel supply is delaying European recovery more than any other single factor. British industry is still operating well below capacity as a result of last winter's coal crisis and the fear of its recurrence next winter. In the western zones of Germany, it is the shortage of coal that prevents the production of steel, chemicals, and consumers' goods from reaching even the restricted levels agreed upon at Potsdam. If a heavy cut in petroleum supplies is superimposed upon this situation, the progress of recovery throughout western Europe would be reversed and shortages of bunker fuel might well impede the imports of coal, food, and reconstruction materials. The repercussions of such measures would extend throughout the world. In order

² Made before the House of Representatives Committee on Merchant Marine and Fisheries on June 11, 1947, and released to the press on the same date.

to implement foreign-assistance commitments already approved by the Congress, we must assure the availability of ships to move fuel and fuel to move ships.

In the long run, the present and prospective shortage must be made good through the expansion of foreign-flag tanker fleets. In part this expansion is already taking place through new construction. Over 150 tankers are now under construction or on order abroad for foreign operators. This Government can greatly accelerate the expansion, to its own profit, by the sale of our surplus tankers. The Maritime Commission is just completing the transfer of 50 T-2 tankers to foreign owners. Within the last month the Secretary of the Navy has approved the transfer of 35 more, and approval of additional transfers is expected shortly. Completion of these arrangements would add over 275 vessels to present foreign-flag tanker fleets, or a carrying capacity roughly equal to that of the United States Government vessels now in operation.

However, the short-run problem still remains. Even if all applications for sale to foreign owners are approved by the Maritime Commission, foreign-flag fleets will be unable to meet foreign requirements until tankers under construction abroad come into service. The shortage of dollar exchange is an important factor limiting the ability of other countries to purchase all of the tankers that they might ultimately require and which will eventually be supplied through foreign construction.

Expedient action by the Maritime Commission in the consummation of sales of tankers would greatly decrease the number of Government-owned tankers in operation during the next few months. As the tankers under construction abroad are delivered, the operation of Government-owned vessels can be proportionately curtailed.

A second problem to which I would like to refer is the necessity for Congressional action to permit the continued operation of Government-owned dry cargo and passenger vessels in order to deal with certain emergency situations, and also action to permit the Maritime Commission to continue to charter dry-cargo tonnage after December 31, 1947.

There is need to provide adequate authority to

use available shipping resources to meet exceptional requirements arising out of postwar dislocations. For example, the extension of general agency authority is necessary to permit continuance of the present emergency passenger traffic. Currently the Maritime Commission is operating some 12 emergency passenger ships (C-4 type troop transports slightly converted for passenger carrying) in the transport of urgent national-interest traffic in accordance with priorities determined by the Department of State, particularly in the repatriation of American citizens for which purpose substantial sums have been appropriated to the Department by the Congress. These ships also supply other urgent needs for passenger movement for which commercial facilities are presently inadequate. The need for continuing this operation of emergency passenger ships was thoroughly explored in public hearings by the Merchant Marine and Fisheries Committee of the House in connection with proposals to extend authority to the Coast Guard to waive normal regulations covering passenger ships, and that authority was extended.

Extension of Maritime Commission authority to operate ships under general agency agreements beyond June 30 is essential in order to avoid an abrupt cessation of passenger services in the midst of the heaviest traffic season, without any present means of substituting other services.

The need for extension of Maritime Commission authority to operate dry-cargo vessels beyond June 30 is not particularly urgent, so long as the authority to charter or sell vessels is continued beyond December 31, 1947. Most of the chartered dry-cargo vessels are employed in the coal and grain trade, principally to Europe. This is a most vital and essential program, and under no circumstances should it be interrupted. It is, furthermore, an emergency program of limited duration and one which will diminish at a rapid rate when European reconstruction becomes firmly established. It is, however, unlikely that these movements will disappear within the next two years. It is the temporary nature of the demand for ships for these programs which leads me to believe it would not be sound to terminate the Commission's authority to charter or sell these vessels on December 31 on the assumption that operators should buy rather than charter. The artificial world-shipping shortage which would be the likely

result of the existing provisions of the Ship Sales Act by preventing the sale or charter of ships owned by the Maritime Commission after December 31 of this year would create a world shipping crisis and impede, if not actually prevent, the carrying out of our efforts to improve world economic conditions.

In view of these considerations I wish to en-

dorse Secretary Marshall's request that urgent action be taken by this Committee to secure the adoption of legislation permitting the maximum flexibility in the use of our shipping resources by extending the Maritime Commission's authority to operate vessels and by amending the Ship Sales Act of 1946 to authorize the Maritime Commission to sell and charter tonnage after December 31.

Position on House Version of Wool Bill ¹

STATEMENT BY THE SECRETARY OF STATE

I am disappointed in the reported action of the Senate and House Conferees with respect to the Wool Bill. I am making public my letter to the

Conferees together with the telegram from Mr. Stimson and the letter from Mr. Hull referred to therein.

LETTER FROM THE SECRETARY OF STATE TO SENATOR AIKEN

June 4, 1947.

MY DEAR SENATOR AIKEN: I wish to express appreciation to the Senate and House Conferees in hearing the Under Secretary of State for Economic Affairs with respect to pending legislation on wool. I am sure Mr. Clayton made clear the serious issues involved from the point of view of our foreign policy. However, I wish to summarize the position of the Department of State in this matter.

The Senate bill directs the Commodity Credit Corporation to continue until December 31, 1948, to support a price to domestic producers of wool at the same price at which it purchased domestic wool in 1946. It authorizes the Commodity Credit Corporation to dispose of wool owned by it at market prices.

The House added to this bill a provision intended to result in an increase in the high tariff on wool, and thus enable the Government to give this support to domestic wool producers without financial loss to this Government. The cost of such support would thus be passed on to the consumers of woollen goods.

The critical importance of this action, as it bears on our foreign relations, arises from the fact that there is in progress at this very time in Geneva, an International Conference on Trade and Employ-

ment called by the United Nations *on the initiative* of this country. The United States delegation, of which Mr. Clayton is Chairman, is taking a leading part in this Conference.

The object of the Conference is to negotiate reciprocal trade agreements for the reduction of barriers and the elimination of discriminations in international trade. A further object is to agree upon a draft of a charter for an International Trade Organization to be set up under the Economic and Social Council of the United Nations.

Some 50 or 60 negotiations are actually taking place between the different countries represented at this Conference, and it is expected that eventually some 70 or 80 agreements will be entered into. The participation of the United States in this aspect of the proceedings derives from the Reciprocal Trade Agreements Act last extended by Congress in 1945.

While wool constitutes a relatively small part of our domestic economy, being only 1/2 of 1% of agricultural income, it is a highly important commodity in other countries. For example, it forms 90% of the value of all of the exports of Australia to the United States.

The question here is whether the best interests of the United States will be served by the passage of the Senate Wool Bill which affords protection to the domestic wool producers at a relatively

¹ Released to the press on June 12.

small cost to the United States Treasury, or by the adoption of the House version of the Bill which would provide this protection by further raising barriers to international trade. The Department of State is strongly of the opinion that the Senate Bill provides the only acceptable course of action open to us not wholly inconsistent with our current efforts to remove the cause of serious conflicts in the world economic field.

I am taking the liberty of passing on to you

herewith the views on this subject of our most distinguished elder statesmen—Mr. Stimson and Mr. Hull.

Faithfully yours,

G. C. MARSHALL

Enclosures:

Letter to Secretary Marshall from Honorable Cordell Hull dated June 4, 1947.

Copy of telegram to Secretary Marshall from Honorable H. L. Stimson dated June 4, 1947.

LETTER TO THE SECRETARY OF STATE FROM CORDELL HULL¹

BETHESDA, MARYLAND, *June 4, 1947*

MY DEAR SECRETARY MARSHALL: I have been very disturbed to learn of Mr. Clayton's return from Geneva in connection with the possibility of action by the Congress intended to increase the tariff on wool. I believe that such action would seriously endanger the success of the negotiations now going on in Geneva for the reduction of trade barriers under the Reciprocal Trade Agreements Act, and for the establishment of an international trade organization, embodying the basic principles of mutually beneficial international economic relations for which we have striven so long.

After more than a decade of successful operation under the Reciprocal Trade Agreements Act, and at a time when the principal trading nations of the world are prepared to follow our lead in carrying out a program of economic disarmament, it would be tragic indeed if any action of ours should endanger that program.

I do not wish to pass judgment on whether or not the growers of wool in this country are entitled to additional assistance. That is for the Congress to decide. I do feel very strongly, however, that such assistance, if given, should not be in a form which would preclude or nullify the comprehensive negotiations in which we are now engaged with other countries for the reciprocal reduction of tariffs and other trade barriers. The success of these negotiations is indispensable to our own economic stability and prosperity, and for the creation of a climate favorable to the preservation of world peace.

The form in which domestic wool producers receive price support must not jeopardize our international relations. As the President said in his address at Waco, Texas, on March 6: "The negotiations at Geneva must not fail."

Faithfully yours,

CORDELL HULL

TELEGRAM TO THE SECRETARY OF STATE FROM HENRY L. STIMSON²

June 4, 1947.

DEAR MR. SECRETARY: I am deeply concerned regarding the pending wool legislation in Congress. In the form proposed by the House of Representatives, this legislation would increase the tariff on wool.

It is my considered opinion that to enact the House measure at any time would be most unwise. It would amount to a repudiation of the whole structure of American economic policy developed in the Congress and the State Department during the fifteen years since Cordell Hull began his great

work for trade agreements. And such repudiation now, when American leadership has been so largely responsible for the Conference on World Trade at present proceeding in Geneva, could not fail to have serious and immediate international effect, both economic and political. To other nations now watching for proof of American sincerity and unity it would be a shocking indication that the

¹ Secretary of State from Mar. 4, 1933, to Nov. 29, 1944.

² Secretary of State from Mar. 5, 1929, to Mar. 4, 1933, and Secretary of War from July 1940 to September 1945.

June 22, 1947

policy of the United States can at any time be shackled by the sort of economic shortsightedness for which all the world has paid so dearly in recent years.

After World War I, the American people and others executed an economic and political retreat from world affairs. These policies were in large part responsible for the great economic breakdown which followed both here and in Europe. Now we are engaged in an effort to reconstruct a world shattered by the war which grew out of that economic breakdown. In this effort of reconstruction greater freedom of world trade is indispensable. No such freedom can be achieved if this country retreats behind tariff walls higher than ever.

To enact any provision raising the wool tariff would be a clear first step toward the disastrous repetition of our former error. If the Congress should determine that the price of wool must be supported, a question on which I do not here offer any judgment, it can accomplish this purpose at relatively small cost by employing the method of subsidies contained in the Senate bill. But to support these prices by raising the tariff on wool would be to give financial assistance to a few at the cost of a large share of this nation's hope for world prosperity and peace.

Very sincerely yours,

HENRY L. STIMSON

The People's Stake in Maintaining Peace

BY BENJAMIN V. COHEN¹

We are now engaged in a struggle for peace. But we are only beginning to appreciate the efforts and sacrifices that will be required. Peace in a free world requires more than good intentions. Peace, no less than war, requires courageous action.

We alone did not win the war. But the war could not have been won if we had not organized ourselves and our resources to win it—if we had not used our brains, our talents, our skills, our treasure, and all our strength to win it.

We alone cannot win the peace. But if we are going to do our part to win it, we must devote ourselves to the organization of peace as fully as we devoted ourselves to winning the war. Winning the peace may be in many ways more difficult than winning the war. But it is the task of our generation to win it.

We cannot afford defeatism about the peace any more than we could afford defeatism about the war. It took the Allies nearly six years to win the war after it had started in Europe in 1939. During the first three years it looked very much as

if our side was losing. It took us in the United States a long time to realize how real was the danger that our side might lose the war, and how great our efforts would have to be if our enemies were to be defeated.

We are now only beginning to realize how difficult is the task of organizing peace under law and how great and continuing our efforts must be to achieve it. That is no reason for us to despair of success and to abandon our efforts. That is reason for us to quicken and redouble our efforts.

In his last message on the state of the Union, President Roosevelt warned us:

"Perfectionism, no less than isolationism or imperialism or power politics, may obstruct the paths to international peace. Let us not forget that the retreat to isolationism a quarter of a century ago was started not by a direct attack against international cooperation, but against the alleged imperfection of the peace.

"In our disillusionment after the last war, we preferred international anarchy to international cooperation with nations which did not see and think exactly as we did. We gave up the hope of gradually achieving a better peace because we had

¹ Address delivered before the National Convention of the U.S. Junior Chamber of Commerce at Long Beach, Calif., on June 12, 1947, and released to the press on the same date. Mr. Cohen is Counselor, Department of State.

not the courage to fulfil our responsibilities in an admittedly imperfect world.

"We must not let that happen again, or we shall follow the same tragic road again—the road to a third world war.

"We can fulfil our responsibilities for maintaining the security of our own country only by exercising our power and our influence to achieve the principles in which we believe and for which we have fought."

We cannot fulfil those responsibilities by withdrawing from the world in protest. Nor can we fulfil those responsibilities by yielding up our own freedom or expecting other people to yield up their freedom for our peace. Peace without freedom is not peace but tyranny.

How then can we most effectively exercise our power and influence to fulfil our responsibilities to ourselves and to the world and strengthen the cause of peace in this imperfect world?

There are no simple, easy answers to this question. I will only suggest two avenues of approach which should be helpful.

In the first place, we can and must make it clear that we ourselves intend to live by the Charter of the United Nations and that we will exercise all our power and influence to see that other nations, large and small, live by the Charter.

In the second place, we can and must exert ourselves to help those countries whose economies have been shattered by the war to become again economically self-supporting. For only if the war-wrecked countries of the world are restored to health will their people feel that they have a stake in a peaceful world of law that is worth defending.

The Charter of the United Nations expresses the common hope of the peoples of this world for enduring peace based on law. Because the Charter is cherished by the peoples of the world it cannot be completely ignored by any government that may find itself in power in any country. That is an impelling reason why we must hold to the Charter, defend it, live by it, and build upon it.

The principles of the Charter are not, however, self-enforcing. There is no self-operating mechanism which can be devised to give the world peace under law. There is no voting machine which can reflect with unerring accuracy world opinion or

which can yield an incontestably right answer to every perplexing world problem.

The Charter of the United Nations, like the Constitution of the United States, was constructed, as it had to be constructed, on the basis of compromise. Its future depends not upon its lettered provisions, but upon the moral and material support which the nations of the world give to it and the extent to which they live by it.

President Truman has pledged that "the United States will support the United Nations with all the resources we possess." If we keep that pledge and if other law-abiding nations likewise support the United Nations, the Charter will live and grow.

As our Constitution provides the basic law of our land, so the Charter of the United Nations provides the basic law of nations. The law the Charter provides may be incomplete, but it does strike without equivocation at the use of force in any manner contrary to its purposes.

Unfortunately much of the discussion of the unanimity rule and the veto has blurred and obscured this basic and all-important fact.

Under the Charter, all members of the United Nations, large states as well as small states, pledge themselves to refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state or in any other manner inconsistent with the purposes of the Charter.

Under the Charter, all members of the United Nations, large states as well as small states, pledge themselves to settle their international disputes by peaceful means, in such manner that international peace and security and justice are not endangered.

As our Representative to the United Nations, Senator Austin, has said, "These sweeping and binding commitments are not limited by the power of veto in the Security Council. The veto does not legalize any violations of these commitments. They are the law." As President Truman has said, "every member of the United Nations is legally and morally bound by the Charter to keep the peace."

The General Assembly has also affirmed the principles of international law recognized by the statute of the Nürnberg Tribunal and the judgment of that Tribunal which make the planning or waging of a war of aggression a crime against

humanity for which individuals as well as nations are responsible.

It is true that unless the permanent members of the Security Council are agreed that there has been a violation of the Charter, no state is bound to act simply because a certain number of states believe that there has been a violation. But in case of clear aggression no state has the moral right to stand mute. In case of clear aggression, all law-abiding states have the right and are under a moral duty to defend the Charter.

Magna Carta had no elaborate machinery to insure its enforcement. The Constitution of the United States had no clauses dealing with what should happen in the event that states attempted to secede. The principles of the Magna Carta survived and the Constitution survived, because the people were determined that they should live. We must make it clear that we are determined that the law of the United Nations shall prevail and that we are prepared to use our power and our resources, veto or no veto, to defend the basic law of the Charter.

I think it is clear that respect for the purposes and principles of the Charter includes respect for present power relationships. As former Secretary of State Byrnes has said:

"The present power relationships of the great states preclude the domination of the world by any one of them. Those power relationships cannot be substantially altered by the unilateral action of any one great state without profoundly disturbing the whole structure of the United Nations.

"The great states are given special responsibility under the Charter because they have the military strength to maintain peace if they have the will to maintain peace. Their strength in relation to one another is such that no one of them can safely break the peace if the others stand united in defense of the Charter."

If we want peace in the world, and we cannot have peace in the world without some law in the world, we must realize and make others realize that delicate and sensitive power relationships cannot be undermined by unilateral action through force, coercion, or more subtle forms of pressure and penetration.

That does not mean that we oppose, and that the Charter of the United Nations forbids, all change in the external relations of states.

We believe in progress and in freedom. We are not defenders of privilege or of the dead hand of reaction.

The Charter of the United Nations permits and encourages free and friendly negotiations between states and provides means, particularly in article 14, for the concrete expression of world opinion on the need for peaceful change.

There will be no need for peaceful change. The world does not stand still. But no nation or group of nations has the right to impose by force or threat of force its political or economic system or way of life upon other nations. No state has a right to wage a war of nerves against another state or seek through devious devices of infiltration and penetration to control or undermine its government and to destroy the freedom and dignity and basic rights of its people.

War inevitably brings changes in power relationships among the great states. Doubt and uncertainty as to the consequences of these changes generally create uneasiness and fear among the victors as well as the vanquished. That is why it is vitally important that there should be no further unilateral action to disturb established power relations by force or coercion.

Uneasiness and fear in the world can only be increased if the world is divided among a few great states, each dominating satellite states. A contest for satellites is not a struggle for peace. It is a struggle for power. And it can only lead toward war. We do not want to force the smaller states, or the less powerful of the great states, to choose their guardian state or to have their guardian states chosen for them. Friendship among states, like friendship among individuals, should not exclude friendships with others. We want to live in a world where power is diffused and freedom under the law of nations is the right of every state.

The aim of the policy of the United States is not to engage in a struggle for power over other states and other peoples, but to help states and peoples to regain and rebuild their political independence and economic health. It is for that purpose, and not for the purpose of bringing them within the orbit of our power, that we are extending help to Greece and Turkey. We could

not leave them economically weak and defenseless against a continuing war of nerves. Had we not placed ourselves in the position to continue and supplement the assistance that the British Government had been furnishing these countries, there would have been grave danger that the war of nerves being conducted against these countries would have been intensified in the false belief that we would not act in defense of the rights of these countries under the Charter of the United Nations.

We are engaged, not in a struggle for power, but in a struggle for the supremacy of law. We must not slacken in our efforts to maintain the law of the Charter. For only under law can peace endure.

While we must remain strong and ready to defend the law of the Charter, we must not ourselves fall victim to the belief in the inevitability of conflict. There is and has been room in this world for different ways of life. War is inevitable only if people fail to tolerate and respect ways of life that they cannot share.

None of us is wise enough to predict the future, but we should be slow to judge the future by the conditions that now prevail in this terribly sick world. In the immediate aftermath of war there is a tendency to think too much in terms of military power and too little in terms of economic need.

That brings me to my second point. It is not enough for us to take our stand for law and peace. We must do our part to make the peoples whose social and economic life has been shattered by the war, feel that they too have a worth-while stake in law and peace.

Peace is not merely a truce between wars. If we want peace, we must deal with the causes of unrest in the world and not merely their symptoms. It is economic distress, hunger, sickness, and hopelessness that breed political unrest and make men the prey of warring ideologies and rival tyrannies. People want freedom and law, but they must have food, shelter, and clothes. We have often said glibly that the last war was the most devastating war in all history. But we are only beginning to realize how completely it has shattered the economies of Europe and how difficult it has made the resumption of normal living.

Europe is not the only part of the world that is in need, but time compels me to confine my re-

marks to Europe whose economic recovery is vitally important to the economic health, peace, and security of the whole world.

If we want a free Europe—and it is hard to see how we can have a peaceful world without a free Europe—we must urgently consider what can be done to put Europe back on her feet economically, what can be done to help Europe to become again self-supporting.

We must, I think, face the fact that our programs for economic aid to Europe, large as they have been, are going to be clearly insufficient to enable Europe to get back on her feet.

Our previous programs underestimated the ravages done to the European economy, the time which would be taken to restore its effective functioning, the substantial rise in the costs of American exports, and other factors.

In 1946 we exported to the rest of the world about 15 billion dollars of goods and services. This is more than twice as great in value as the goods and services we are importing from the rest of the world. In 1946, six billion dollars of these exports were financed directly or indirectly by loans and grants in aid by the United States Government. Existing authorizations cannot possibly enable the flow of needed exports to continue at the extraordinary rate of the first quarter of this year, a level of more than 19 billion dollars a year. Some leveling off of this extraordinary rate of exports is inevitable. But unless substantial additional financing is forthcoming the decline could assume proportions which would aggravate misery abroad and increase the possibility of recession at home.

Those who have been studying Europe's rudimentary rehabilitation needs tell us that Europe, including Great Britain, may require as much as five or six billion dollars a year for another three or four years to meet those needs.

Unless Europe can secure adequate assistance it may be difficult for some European countries to avoid political unrest and political instability, and the danger of dictatorships. People long tired, cold, hungry, and impoverished are not wont to examine critically the credentials of those promising them food, shelter, and clothes. And dictators, knowing that they intend to hold power if they can get it, will play the right side or the left side and sometimes both sides to get and keep power.

Our interest is in a free Europe. The way to keep Europe free is to restore the war-shattered foundations of the closely interrelated and interdependent European economies and to give the European peoples renewed confidence in themselves, hope in their future, and a genuine stake in peace and law.

At the close of the war many of the liberated countries of Europe were not concerned with the revival of the German economy. And while the liberated countries do not now want German economic revival to have priority over their own revival, they have come to learn that the extremely low level of productivity of the German economy is hampering and not helping the revival of Europe. Europe needs German products and German markets. In fact, coal from the Ruhr is one of the keys to European recovery.

As the liberated countries are learning that they have an interest in the peaceful economic revival of Germany, so we must learn that we have a definite economic as well as political interest in the economic revival of Europe as a whole. Europe's economic recovery is as important to the economic health of a peaceful world as Germany's economic recovery is to the economic health of Europe.

To cut Europe adrift and to compel her in her misery to shift for herself during the next few years would be a body blow to security, political stability, and economic progress the world over. The loss of European markets would not only cause serious and painful readjustments in our own country, but would have repercussions all over the world.

Economic help to revive war-shattered Europe will be costly. But the withholding of economic help would also be costly—not only in economic consequences but in social and political consequences.

The more important problem in many ways is not whether Europe should be helped but how Europe should be helped. After the First World War we thought we were pursuing a policy of fairly prompt retrenchment on European aid and the gradual retirement of the war debts. It turned out, however, that we aided Europe substantially and not altogether wisely.

The problem of Europe's rehabilitation is much more serious now and we should try to think it through more clearly. After the First World War we were more concerned with questions of

money repayment and money interest than we were with the question of the effectiveness of our aid in producing sound and healthy economic conditions throughout the world.

If we are to assist in intelligent programs of economic aid for Europe, our first and primary objective should be to assist programs that will rebuild a self-supporting European economy. Until the European economy does become self-supporting it is difficult to see how Europe can make substantial payment of capital or interest except as she borrows from or puts off payment to Peter in order to pay Paul. And we must not forget that unless we wish to subsidize heavily our future foreign trade, we can over the long term be repaid only in goods and services which we are willing to accept and in investments which we are willing to hold in foreign countries. If we wish to preserve over the long term our economic position in the world, we must build up and replenish the resource base upon which the continuance of our productivity and prosperity depends.

In as much as the economies of the individual European states are closely interrelated, priority in economic aid should be given to programs which will serve to revive the European economy as a whole. Particular consideration should be given to projects which will serve to remove economic bottlenecks which obstruct the efforts of European states to increase their trade and production. For example, whatever we can do to help increase coal production and facilitate its transport would have a stimulating effect upon the economy of nearly every European country.

Even with our large food exports to Europe there is an acute shortage of food through Europe. A project to increase over-all European food production by the supply of fertilizer, seed, and farm machinery could have its effects throughout Europe.

Trade between European countries has been hampered and has become largely a matter of barter because they have no confidence in one another's currency. Possibly a project could be devised to finance trade between European countries which would have a stimulating effect upon trade and production throughout Europe.

We should consider our help to Europe and other countries not merely in terms of dollars but in terms of production and goods for which the dollars are to be used. We must not permit our

economy to be inflated or distorted to the point that our own economic health is impaired. We cannot hope to be able effectively to help create economic stability in a free world unless we can keep our own economic house in order. Our productivity and resourcefulness, which won the war, will be equally necessary to win the peace.

The task of helping to rebuild a war-wrecked

world is a heavy task. But it is a challenging task. We were not daunted by the heavy tasks of war. If we want peace, we must not flinch before the tasks of peace. If we want a free, peaceful, law-abiding world, we must see that the peoples of this world have a stake in the peace and have the vitality, strength, and will to maintain peace and freedom under law.

The Future of Foreign Trade

BY ASSISTANT SECRETARY THORP¹

I doubt if there ever was a time when advance planning for the world was done on as grand a scale as that by the American Government for the international problems of the postwar period. As is inevitable in any planning for the future, some of the assumptions have not proved to be correct and certain unpredictable and fortuitous factors have appeared. It is still too early to know how many of the hopes implied in the early prospectus will be fully realized. But the fact remains that a magnificent job was done, and as Americans we should take great pride in the leadership provided in that critical period.

The United Nations is now a going concern and can give us all hope that a way has been found to maintain peace on earth. The advance planning in the political field has served its original purpose and a fresh approach to the problem of dealing with international problems and controversies has been initiated. We must now pass on to the difficult stage of developing and strengthening the new institution to accomplish its high purposes. At least, the possibility is present at last of dealing with problems of international importance in an orderly and organized fashion.

In the economic field there was also a plan, fashioned to meet the difficult postwar period. Well before the end of the war, the concept of lend-lease had been established, thus doing away with one of the great obstacles to any postwar recovery. Occasionally men do learn from experience, and this was a clear lesson from the last war. Under this approach the burdens of war costs on our allies, excluding items of postwar civilian use, were not to necessitate huge payment transfers from them to the United States in the postwar period—

transfers which they clearly are not able to make and we are not eager to receive. There were to be no inter-Allied debts whereby other countries paid the United States for the material aid provided for war purposes. This lend-lease settlement policy was a great step forward towards economic recovery.

Under the postwar economic plan, four important international institutions were to be established—two to bring about economic recovery and two to provide a basis for a more abundant life in the future. The first institution was UNRRA, established to provide relief on a non-reimbursable basis to the citizens of countries which could not themselves provide the basic necessities of life and which did not have adequate resources with which to purchase them abroad. Its purpose was essentially to maintain life, although it did distribute some basic rehabilitation items like tractors and sewing machines. It also assisted in the repair of railroads, bridges, and the like, without which even relief supplies could not be distributed within the countries involved, and in the restoration of other equally essential facilities. However, it was primarily a relief organization with food the chief element in its program.

The second new institution was to be the International Bank for Reconstruction and Development. One of its functions was to provide credits to repair the extraordinary damage done by the war. It was obvious that the destruction was tremendous. In fact, destruction is the objective

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of global war, where the effort is not directed exclusively at the military forces of the enemy but at the whole fabric of production and transportation by which the military is supported. The Bank would make long-term loans for rebuilding factories, harbors, railroads, and the like. The facilities of the Bank were to be available, of course, not solely to the war-devastated countries but also would be used for development purposes in other countries. On the basis of resources and guaranties of all member countries, it would, as an international agency, tap various sources of investment and give reconstruction and development credits to governments and to government-sponsored borrowers.

These two organizations, UNRRA and the Bank, were thus to deal with the financial needs of the war-devastated countries during the early postwar period—the first meeting the relief needs in insolvent situations and the second providing credits which might be transformed into the physical capital needed to recover from the devastation of global war and to encourage economic progress in underdeveloped areas. It was, of course, the hope that private investment would resume its historic role once the critical period had been passed.

The two remaining institutions, the International Monetary Fund and the International Trade Organization, were to assure a living and expanding pattern for the new postwar world. It was clearly recognized that they could not function with full effectiveness at once, but would increase in significance as recovery brought the economic situation more nearly into balance. The first was to offer some assurance that currencies would be convertible and to provide a means of stabilizing currencies and to do away with discriminatory financial arrangements, thus reducing the monetary hazard in the exchange of goods across national boundaries. The second was to deal with the problem of reducing public and private barriers to trade and to abolish trade discriminations. This was planning for the long run rather than the immediate postwar period. These institutions rested on the conviction that, in a world with currencies and commodities readily exchangeable, foreign trade would expand, the goal of easy access to materials and markets would be achieved, and we could all benefit from a more

efficient use than ever before of the world's resources—men, machines, and raw materials.

These four institutions provided the framework for the postwar economic plan. It was a revolutionary plan. It established international responsibilities where they had never existed before, and it still is the framework within which we must hope that a better future can be achieved—but it is now two years since the end of the war and the hoped-for economic recovery of the world has not yet been accomplished. It is not even just around the corner. In too many countries people are still at or below the subsistence level. Commodities of all types are still in short supply. Prewar production figures still look like distant goals. And the spirit of man in many areas is not one of excited and enthusiastic recovery with high hopes ahead, but of weariness, hunger, and dismay. This is evident not merely in the economic field but in the political field as well. Men who go to bed hungry are not too critical of those who make glittering promises, and wide swings of political emotion seem to be somehow related to economic misery.

A first superficial explanation of the gloomy economic picture might be that the failure lies in the fact that the international institutions themselves were too slow in getting under way. That certainly cannot be said of UNRRA. In fact, its full and active life is nearly over. It was ready to function as soon as the military operations ceased, and for two years it has provided relief at close to the limit of available supplies. Thousands of people are alive today who would have died without its help. On the other hand, the International Bank, scheduled to carry the brunt of the reconstruction, made its first loan early in May of this year. Its organization problems were many, and consequently it has been a minor factor in the picture up to the present. The Fund is only beginning to function, and the Trade Organization is not yet organized, but neither of these institutions was designed to be a major contributor to immediate recovery.

However, the delay in the operation of the Bank cannot be the explanation of the delay in recovery because various individual governments, particularly that of the United States, stepped into the breach. In addition to participation in the international institutions, the United States has committed itself to foreign grants and loans totaling

about 13 billion dollars. Of this amount, close to 9 billion dollars has already been spent. Other countries, like Canada, also extended credits to less fortunate countries to help them over the critical period.

This total figure of 13 billion dollars is the sum total of a number of different operations. It includes loans made by the Export-Import Bank and the loan to the United Kingdom specifically authorized by Congress. It includes the dollar credits representing far greater amounts of goods on a cost basis, transferred in the form of the post-war lend-lease civilian goods pipeline, as surplus property, and as sales of merchant ships. It includes civilian supplies distributed in the occupied areas and special assistance to the Philippine Republic and to China. While these operations are recorded in dollar terms, in actual fact they represent almost entirely commodities and services made available by the United States to the economies of other countries.

Nevertheless, in spite of this volume of credits and grants the critical period continues. It appears that the problem was more than one of providing bare subsistence and of replacing machines and mortar. The economies were disrupted and disorganized. Not merely fixed capital but working capital was absent. And the great shortage of goods was itself a deterrent whose effects were felt everywhere. Absence of goods in the market place removed the incentive to produce for the market. What could the farmer buy who brought his goods to the city? Why should the coal miner work six days if he could buy his allowed ration with three days' work? Better that he stay home and repair his house or, even better, travel to his cousin on a farm to get some additional food. The shortage of food and the shortage of coal set the limit on the possibility of recovery, and other bottlenecks at various points keep emerging from the postwar disorganization.

The situation is full of vicious circles. The shortage of goods in foreign countries greatly limits the possibility of their exporting goods—a process so necessary for the obtaining of materials and finished products by countries which cannot possibly be fully self-sufficient. Their need is for imports, but the normal processes for obtaining imports are restricted by the absence of goods to export.

To be sure, the situation is better than that of two years ago. People are alive who could not have survived without outside aid. And bridges have been rebuilt; railroads are functioning; traffic is able to move on the rivers; more people have roofs over their heads; and many factories are at least in part able to produce when the necessary ingredients for production are at hand. But it is not the recovery which had been devoutly hoped. It is still a grim picture with dark overtones.

We should feel thankful but not gratified to compare this picture with that of the United States. Our capacity to produce is greater than ever before, and we have been producing at record levels. To be sure, a substantial part of that production has gone to foreign markets. However, when compared to total production the percentage is not greater than our volume of exports of the past, for both are at record high levels.

In substantial measure, therefore, American production has been supporting the economies in other countries. In 1946 our exports of commodities and services were steadily increasing and totaled almost 15 billion dollars for the year. The total for the first three months of 1947 was 4.9 billion dollars, or an annual rate of nearly 20 billion dollars.

This is a tremendous amount. In the month of May, for example, we sent 427 ships to Europe loaded with coal—about 3,800,000 tons. Without this specific aid the European economy would virtually collapse, for its own coal production is far below prewar levels. Similarly, shipments of wheat and flour have required a tremendous fleet to keep the flow of food to the various countries of the world at levels far above those of earlier years.

To the American businessman and the farmer, the foreign market has been booming. There is no question about the need on the part of the purchasers. But the significant part is that it has been to a large degree a supported market—supported by the American Government. As far as the individual businessman is concerned, the situation, on a much smaller scale, resembles the activity of the war period when the Government provided him with a market. The present foreign market is likewise in large part the creation of the United States Government.

To be more specific, in 1946, according to the

estimates of the Department of Commerce, we sent abroad about 15 billion dollars of goods and services. During the same period we imported about 7 billion dollars of goods and services. That left 8 billion dollars still to be paid for. Of this deficit, 2 billion dollars was paid for by gold or other assets belonging to foreign countries. The remaining 6 billion dollars is the measure of U.S. aid—about half in the form of grants and half in the form of loans. As far as the individual businessman or shipping man was concerned, he received full payment. However, in the last analysis about two fifths of the settlement was with funds originating in the U.S. Treasury.

This 15 billion dollar record summarizes the 1946 picture of the exports of goods and services from the United States to all the rest of the world. As I have said, imports were much less, leaving a substantial gap. Slightly more than two thirds of the total gap between commodity exports and imports arose from our trade with Europe. In the prewar years, our shipments to Europe exceeded our purchases by close to half a billion dollars per year but, as compared with prewar, our exports to Europe today have increased far more than imports from there. For the rest of the world, where our exports and imports used to be approximately equal, today there is a substantial excess of American exports over imports. Thus, while the European economic situation is undoubtedly more critical, the same general problem appears in the balance of payments everywhere. And even the Far East, which used to be a substantial net supplier, has also shifted to a deficit position.

The situation in recent months is even more out of balance. Using the rate recorded in the first quarter of 1947, the annual rate of exports is about 20 billion dollars. Against that can be set 8 billion dollars of imports. At the first quarter's rate, the projected year's payment made by assets of foreign countries would be 4 billion dollars and the balance, which would have to be filled by grants or credits, about 8 billion dollars. There were special factors in the first quarter which make it doubtful as to whether it will be typical of the entire year. Perhaps the 1946 gap of 6 billion dollars is more realistic as a forecast for 1947. However, that rests on the assumption that there will be no major adjustments in other items in the trade balance.

Of course, the balance of exports and imports, including the so-called invisible items, may be

achieved by adjustments in any of the items, so the various elements should be reviewed. It is highly improbable that commodity imports to the United States can be greatly increased in the immediate future. In a world of shortages in other countries this is difficult to accomplish. To be sure, as the raw material areas of the Far East resume their activity, there can be further advances, and as the more industrialized countries resume their specialty production, shipments to the United States may increase. However, this is a slow process and probably will be timed along with the general recovery rate of the rest of the world.

As to the gold or other liquid foreign assets available for use as payment, these resources are decidedly limited in amount and are held in large part in countries where the pressure of an unfavorable balance is not so great—countries like Switzerland. Nor can they be used to any great extent without jeopardizing the currencies against which they act as a reserve. The possibility of something like the figure of 4 billion dollars in 1947 from this source is therefore very doubtful and certainly cannot be repeated for several years in the future.

Consequently the situation narrows down to a very specific alternative. Either the rate of American exports to other countries must be reduced or the payments gap must be filled by credits or grants. Of course these are not mutually exclusive solutions. But they are interdependent—the more of one, the less of the other, and vice versa.

There are various signs that the present situation will lead in part to increased restrictions against American goods by foreign countries, in an effort to husband their resources in hard currencies and to make sure that only essential imports are permitted. Thus the tobacco tax in the United Kingdom was inspired in large part by the desire to save dollars. The import restrictions imposed by Sweden in March were clearly intended to halt the drain on her resources resulting from the high level of imports from the United States. The American motion picture industry has come under particular pressure by various countries to make arrangements which would not lead to a flow of dollars fully corresponding to net earnings.

Undoubtedly, some reductions can be made in American exports without seriously jeopardizing the processes of recovery. However, it must be

remembered that many of the apparently non-essential items act as incentive goods in the other countries, providing a kind of pump-priming for the process of production and exchange.

Such restrictions as foreign countries may place on purchases in the United States will probably be operated to limit transactions to the supply of available dollars and not to endeavor to accumulate dollars. Therefore, it seems clear that the level of our foreign trade in the immediate future will be largely determined by the volume of American aid and assistance. At the moment, there remain less than 5 billion dollars of unused governmental commitments, plus the resources of the International Bank and Fund. However, much of these funds are restricted as to use or limited to a particular area or both—the new grant of 350 million dollars is limited to relief purposes within a rather elaborate set of conditions, and the 400 million dollars can be used only for Greece and Turkey, and the 1.8 billion dollars not yet drawn down by the British under the British loan agreement is obviously only available in the first instance to the United Kingdom.

One certainly should not disregard the International Bank as a factor in the situation. It has begun to extend credits and can take much of the responsibility for reconstruction requirements in the future. However, its resources cannot be used for such immediate necessities as food and other consumers' goods. It is essentially an institution for aiding the purchase of capital goods. This is, of course, a prime function. However, one of the serious flaws in the original plans was the failure to realize how extensive would be the requirements for commodities of the general class of consumers' goods and raw materials, both in terms of volume and in terms of the higher price level. And this in turn was the result of the failure to take into account all the economic, political, and psychological factors which have delayed the recovery of productivity.

Reviewing all the sources of payments now in sight, it is obvious that they will not support the present level of exports from the United States for any considerable period of time. On the other hand, failure to continue essential exports for the critical period will undoubtedly result in a serious setback to the process of recovery. Thus the longer-range future of foreign trade is greatly de-

pendent upon the nature of developments during the next several years. And, in turn, absence of improvement in other countries will be a persistent drag upon our own economic system.

It would be completely erroneous to create the impression that the problem of economic recovery throughout the world is merely one of American dollars or American commodities. To be sure, that is the type of assistance which we have been providing, but much more than dollars is needed. For example, consider the food situation. American wheat cannot be, in a sense, more than a stop-gap. The basic problem is the recovery of agricultural production in France, Italy, Siam, Japan, and all other countries themselves. To some extent, American dollars can help when expressed in terms of fertilizer, seeds, and agricultural implements. But the problem is so much more than that—a problem which the local authorities must deal with—a problem of getting the farmer and the land to maximum productivity. This does not mean, of course, that each country should try to be self-supporting in food—that would be most uneconomic. But the present levels of output, appreciably below the prewar levels in many areas, represent a problem which must be tackled by the various governments and the appropriate international organizations. This problem cannot be solved for other countries by the United States except as we can help others to help themselves. It is so much more a matter of internal domestic policies than of outside aid. It is not merely a question of scientific agriculture, but one of economic organization. Future planning in the food field involves a reconsideration of compulsory collection systems, rationing, open markets, and price structures, all in relation to such incentives as may be required to raise production sharply. It involves questions of domestic priorities and support. These are all matters in which the domestic policy of each country is paramount and where vigorous and carefully planned action is vitally needed. It is to be hoped that the Conference of Food Ministers scheduled to begin in Paris on July 9 will make substantial progress in dealing with these problems.

To take another type of case where American assistance can be effective only if internal policies are propitious, an illustration can be found on the other side of the globe in Indonesia. Here in the

East Indies are customary sources of raw materials needed by the rest of the world and presently in great demand—rubber, sugar, copra, and many other tropical items. Nevertheless, there is no flow—the volume is a mere trickle of what it could be. A new set of political arrangements is being painfully constructed, and during the process no economic progress has been possible. There is reason to hope that an interim *modus vivendi* can be set up, although this is difficult because of the fear that any temporary arrangement might prejudice the final settlement. Under these conditions, production elsewhere in the world is retarded and the needed reconstruction in the area itself is not moving forward. This case is merely an example of a condition which is widespread, though in differing degrees. Political controversies all too often are responsible for confusion and disorganization in the economic field. During the war, political differences were subordinated to the basic objective. Now the over-riding objective must be economic recovery. Unless this is clearly recognized by a nation and its people as their basic purpose, it is hard to see how outside assistance can be fully effective.

In five countries the United States has a special responsibility with respect to the kind of internal policy which I have been discussing—the cases of the ex-enemy states of Germany and Japan, the liberated states of Austria and Korea, and the special instance where we have accepted a major role for a limited period, Greece. These countries represent an important part of the world's economy. There can be no question but that the failure of Germany to make substantial progress in productivity has held back the processes of European recovery in general. Germany used to be a major element in the pattern of European trade, and her coal, steel, and machinery were basic to other European countries. There have been various factors holding back her progress, the most important of which was the degree of destruction and disorganization resulting from the war. The fundamental economic requirements in all the cases are no different from those of the victorious countries, except perhaps in degree. And the interdependence of modern economic life makes it necessary for recovery to be general in order to be specific.

This is not a happy picture. The war was more destructive of the economic machine than had

been realized. After the last war, it took seven years for the world to get back to its prewar level of operation. The United States gave its assistance then through an unorganized process of private so-called investment. It is obvious that the destruction and disorganization created by World War II was much more extensive, and recovery and reconstruction correspondingly difficult.

This is the problem of the immediate future. On its answer depend both the short-run and long-run possibilities of foreign markets for American goods. More broadly, on it depend the short-run and long-run prospects for stability and security in the war-torn world.

The answer cannot be given solely by the United States. After all, the fundamental steps towards recovery must be taken by other countries. However, it is important to us that they do recover, and as quickly as possible. We aided them during the war because we were clearly agreed on our great objective and were following a common plan for its accomplishment. If there can be a clear indication of a joint effort to achieve recovery, we should continue to be generous with our support. In the long run the cost will be relatively small, and the enormous dollar and cents dividends will be far exceeded by the intangible item of good will. That is the entry which the accountants use to represent the increased value of economic assets when they take the form of a "going concern". But good will is more than an accounting phrase. Although it is frequently omitted from the financial balance sheet, it is perhaps the most important item in the balance sheet of the world. Good will cannot flourish in an atmosphere of economic disorder. Not only is it important for the world to be a going concern, but in one of the greatest expressions of hope in the Bible, good will is intimately related to "peace on earth".

Confirmation to the Diplomatic Service

The Senate on June 10, 1947, confirmed the nomination of Emmet O'Neal to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of the Philippines.

Corrigendum

In the BULLETIN of May 4, 1947, page 812, add the date *April 19, 1947*, to the note from the Soviet Minister for Foreign Affairs to the Secretary of State.

Promotion of World Understanding Through Transport and Communications

BY ASSISTANT SECRETARY NORTON¹

Our most compelling desire in international relations today is to lay the foundations for enduring peace. Widespread understanding between all peoples must be the bedrock upon which our structure will rest. The fullest possible use of world-wide systems of transport and communications is essential to the development of human understanding. My purpose today is to discuss our international transport and communications policy in the light of these basic facts.

It is most appropriate for citizens of the United States to emphasize the development of transport and communications as a means to the achievement of human understanding. Here in the United States, transport and communications have given us unity in our diversity. Our extensive national domain is greatly varied in its topography, climate, and resources. As citizens, we are a people of many origins. Our local interests, economic, political, and cultural, differ greatly. All the elements of sectional cleavage are with us. They are manifested in our arenas of political and economic contest. But above and beyond this, we are citizens of an integrated and united nation, a fact that has been made clear to the confusion of our enemies.

Widespread and ready travel, vast and expeditious movement of commerce, rapid and efficient communication of information and ideas: these are outstanding features of life in the United States. You might almost call this development of transport and communications an obsession of ours, from the early days of coastwise shipping and post roads to our present pattern of roads, railroads, inland and coastal waterways, sea and airways, and our network of telephone, telegraph, and radio circuits. But it is this mobility, this exploitation of every possibility for improvement of transport and communications, under policies fostering competition and equality of opportunity, which have made possible the achievement of national unity in our great diversity.

Now we have come to a position of world leadership and, with little choice on our part, we are drawn into the turmoil of a world which has not developed the degree of human understanding we have achieved at home. After immersion in two world wars, we find ourselves in a world of discord and confusion. We realize that for better or worse our fate is interwoven with the fate of that world. Finally, with leadership has come knowledge of how small and dangerous a world it is, how directly the acts of others affect us, and our actions affect them. To preserve our nation we led the world in the development of destructive weapons; to preserve the world we must now lead in the ways of peace.

Having ourselves achieved unity in diversity, we recognize no ultimate reason why the world cannot do likewise. Against the background of our own development, we approach the problem of world unity and understanding with confidence. We have achieved nation-wide understanding and order under law; we are confident that this can also be achieved globally. As we become more intimately acquainted with the world's problems, as we discover the currents and cross-currents of purposes, opinions, and compelling circumstances which determine the behavior of this shrinking world, we recognize the difficulties of the problem we face. But we do not lose courage or faith; we do not seek to crawl back into a shell of isolation; we do not forsake our essential purpose of achieving a structure of world-wide understanding and orderly settlement through the economic and social well-being of all nations. We maintain our faith in the principles of the United Nations and we continue to act on the basis of that faith. We know that the only ultimate answer to our world's present turmoil, hunger, and fear is the develop-

¹ Delivered before the Twenty-Fifth Annual Convention of the U.S. Junior Chamber of Commerce at Long Beach, Calif., on June 12, 1947, and released to the press on the same date. Mr. Norton is Assistant Secretary of State for transport and communications.

ment of understanding between the peoples of the world. With such understanding, practical forms of cooperation can be worked out. We can give meat to the bones of the United Nations.

This is the background for the conduct of our foreign policy, within the framework of which are to be found our specific objectives in transport and communications. These policy objectives contemplate that world-wide facilities for the movement of goods, persons, and ideas should be developed and made available to all peoples. In seeking the achievement of these objectives we must be practical and adapt our actions to the circumstances of time and place, but in its entirety and general direction we must never lose sight of our basic policy.

This will explain why, from a more narrow point of view, decisions of the Department of State may in certain instances appear unreasonable or against some specific American interest. For example, a refusal to support an exclusive foreign contract which would enable an American airline to achieve a discriminatory or monopolistic position on a foreign air route is not the result of any intent to restrict the development of American air transport abroad, nor does it indicate any lack of desire on the part of our Government to encourage such development by all appropriate means. It does, however, exemplify the State Department's determination to avoid in the conduct of American foreign policy, as well as to discourage in the conduct by other governments of their foreign policies, the establishment of monopolistic arrangements for international air transport which tend to restrain the development of economical facilities.

Similarly, when the Department of State favors the sale to a foreign nationality of merchant ships surplus to the requirements of the United States, even though the vessels may be operated in competition with vessels of our own registry, this does not mean that the Department is opposed to the legitimate development of an American merchant marine. It is evidence, rather, of the Department's conviction that our aspirations for a sound merchant marine are not in conflict with the fundamental policies governing the conduct of our foreign relations. We see no reason why the development of a strong American merchant marine should require us to impoverish our neighbors

whose maritime interests are vital to their existence.

Thus it becomes apparent that our basic principles and procedures in the field of international transport and communications are the same as those governing our international economic policies as a whole. These principles stem directly from our commercial policy as expressed in the clauses of our long-standing commercial treaties providing for unconditional most-favored-nation treatment. They are harmonious with the subsequent expansion of our commercial relations through the agreements which provide for reciprocal reductions in trade restrictions. Our principles in the field of transport and communications are in accord with the principles of the charter for the International Trade Organization now under negotiation at Geneva.

Our international economic policy as a whole has been so frequently elaborated as to require no detailed exposition here. Its essential purpose is to foster the application of the principle of freedom and equality of opportunity for economic intercourse between the nations. To accomplish this purpose we must reduce trade barriers and eliminate discriminations. Where certain restraints on trade are necessary to safeguard national security, we must seek methods requiring the minimum of arbitrary official decision in individual commercial transactions. In short, our purpose is to go as far as possible in keeping the conduct of international commercial affairs in the hands of businessmen. We know that our system of free enterprise cannot stand alone in a world of state monopolies, cartels, and economic blocs. We must help a postwar world to recover freedom of enterprise, or in self-defense we may be forced to abandon that system ourselves.

Of course, the complete application of these principles under contemporary conditions is not possible. Practical recognition must be given to present circumstances of economic disorder and disintegration. Dated in part from the economic collapses of the years following 1929, and in part from the effects of the war years following 1939, these circumstances compel today the maintenance of various special measures of control while the foundations for a more permanent organization of world economic relations are rebuilt.

Likewise, in matters of international transport

and communications the essential theme of our policy is the basic principle of equality of opportunity and nondiscrimination. We seek to encourage the development of transport facilities through freedom for the energy and skill of competitive private business enterprise. With this principle in mind we seek to support the legitimate expansion of transport and communication facilities throughout the world by citizens of the United States. We do this by methods consistent with the major principles of nondiscrimination, equality of opportunity, and encouragement of competitive private business enterprise, in each case adapted to the practical facts and circumstances.

International policies affecting ocean shipping afford an example of the application of our major principles. If only for reasons of national security, the governments of most countries with maritime interests traditionally emphasize the development of their national shipping activities. By and large, however, shipping is conducted by private business enterprise. Since the repeal of the navigation acts in Great Britain just a century ago, international shipping competition has generally been conducted under conditions of equality and freedom in the ports of the world open to foreign commerce. Flag discrimination, or differential treatment according to the flag or nationality of the ship, has been the limited exception. The principle of freedom of the seas has been applied to the conduct of ocean commerce through equality of treatment at the ports through which that commerce flows. In the foreign policy of the United States this principle is specifically expressed in the provisions for national and most-favored-nation treatment of shipping which characterize our treaties of commerce and navigation. Except for cargoes financed by Government loans, an American merchant can arrange for the transport by sea of his imports or exports by the service he finds most convenient, regardless of the nationality of the carrier. Conversely, ships of United States registry may trade in foreign ports open to foreign commerce on equal terms with the ships of the other country or of any third country.

This widespread and traditional application of the principle of equality of treatment is most important. It shows that those elements of international relations essential to the growth of world understanding, comparable to the development of national understanding within the United States,

can be developed and maintained. Its application throughout the world has made it possible for all nations to reap the benefits of flexible and low-cost ocean shipping.

The importance of this principle of equality of treatment warrants and explains our strong opposition to policies which undermine it. For example, the endeavor a quarter century ago to substitute a policy of flag discrimination for the policy established in our treaties of commerce and navigation was resisted and defeated. Similarly, we oppose now the claim that governmental policy should compel the transport of our foreign trade, or some specific percentage of it, in American ships; we object now to requiring that export cargoes financed by Government loans be carried in ships of national registry.

This does not mean that the legitimate promotion of our national merchant-shipping activity is in conflict with broader foreign policy. The importance of an efficient merchant marine and an active shipbuilding industry, both capable of rapid expansion in time of emergency, is clear. The experience of two world wars leaves no doubt as to this. In order to maintain the merchant marine contemplated by our national shipping policy, some measures of Government assistance beyond the exclusion of foreign shipping from our coastwise and other domestic traffic is necessary. Some aid to offset lower costs of foreign shipping competing in our foreign trade is required. There is no necessity, however, for rendering this assistance by methods of discrimination or restriction. It is most significant that the Merchant Marine Act of 1936, the so-called Magna Carta of the American Merchant Marine, does not rely upon such methods but rather upon the forthright and open principle of direct subsidies calculated to offset cost disadvantages in shipbuilding and operation, to support American shipping participation on trade routes essential to our foreign commerce.

The United States today is in a position of special responsibility in international shipping policy. Wartime shipbuilding at taxpayers' expense has made the Government of this nation the principal shipowner of the world. It is likely that over the long range a reasonable expansion of our national shipping activity above the prewar level will be maintained in foreign trade. But the present distribution of shipping tonnage, the re-

sult of wartime shipbuilding and wartime losses, is accidental. Its continuance imposes a heavy burden upon the United States program of aid to economic reconstruction abroad. This program is designed to place dollars in the hands of foreign governments to enable them to secure the food, raw materials, and capital equipment which, because of the destruction and dislocation arising out of the war, they are unable to supply themselves. Dependence upon United States vessels for the movement of such exceptional bulk cargoes as coal and wheat means the use of scarce dollars in payment of high-cost services. If these foreign governments had vessels, they could carry these exceptional cargoes much more cheaply themselves. This temporary situation does not contribute to reconstruction abroad, but seriously burdens our efforts to assist that reconstruction.

Thus it becomes evident that the advantages to our national shipping of restrictive ship-disposal policies are limited and temporary. By undermining the prospects for the restoration of vigorous and profitable commercial intercourse, we also undermine the long-range prospects of the American Merchant Marine.

In matters of inland transport abroad, the United States has definite policies which it seeks to promote within the framework I have outlined to you. The United States encourages the development of inland transport facilities abroad. An outstanding example is to be seen in our relations with our neighbors of the Western Hemisphere, in the support and assistance we extend toward the completion of the Pan-American highway system. In Europe we have actively participated in the rehabilitation of the war-torn transport systems of that continent. The restoration of equality of opportunity and freedom of navigation on the international waterways of Europe, notably the Rhine and Danube, may seem somewhat remote from the national interests of the United States. Our interests are more, however, than simply that implied by our position as an occupying power in Europe; the restoration of conditions which permit the revival of commerce along these waterways, with freedom of navigation guaranteed to all who use them, is necessary to the reconstruction of a peaceful and prosperous Europe.

In aviation, the youngest and perhaps the most

vigorous giant of modern transportation, our basic policies are also adapted to special circumstances. As between international surface and air-transport policies, several differences are to be noted. In the first place, while ocean shipping terminates at seaports, international air services penetrate far into national territories, and overfly territories in between. Obviously, therefore, the conditions making possible the freedom of shipping through freedom of maritime ports do not make possible a similar degree of freedom in the air. In the second place the development of air transport is occurring under conditions conducive to scheduled operations along specific routes, in contrast with the world-wide tramping operations which are more important to the development of modern ocean shipping. In the third place, whereas the principles of freedom of navigation and national and most-favored-nation treatment of shipping in ports open to foreign commerce developed concurrently with a period of freedom for international business enterprise, the modern development of international air commerce coincides with a postwar period characterized by tendencies toward governmental control. In the fourth place the position of the American air-transport industry in international competition is, at present at least, reversed from that of our shipping industry. From the springboard of intensive development of air services by our competing domestic operators over widespread national territory, our international air carriers find themselves well ahead of their foreign competitors. Our position in this respect is improved by our experience during the war. I need not remind this audience of the role we played, alone among the nations of the world, in the transportation of troops and equipment by air.

The policies of the United States in the conduct of international relations involving air services, while taking these differences fully into account, are entirely in line with our basic principles. They seek the development of efficient air services with full opportunity for competitive private enterprise. Within this framework they include vigorous support to the development of competitive American airline services on all international air routes of importance, comparable in purpose to the support given to American flag participation in shipping services on our essential trade routes.

Our preference was, and still is in principle, for the adoption of multilateral procedures in international air transport. However, our efforts to achieve multilateral agreement were not successful, and we found it necessary to proceed by the method of bilateral negotiations with individual governments. It became evident that the world was not ready for a multilateral approach to air transport, and that our rigid adherence to this ideal could only hamper the practical development of our essential objectives. Substantial progress has been and is being made in the more restricted bilateral approach. This explains why, despite our preference and continuing desire for a satisfactory multilateral agreement, we have negotiated 36 individual agreements with foreign countries and are in the process of negotiating more. We emerged from the war as the only nation ready, able, and willing to fly on a large scale internationally. We wanted to get going, and we did it by the individual agreement route as the only one available to us.

In policies relating to international telecommunications our broad aims are likewise adapted to the practical circumstances. Our emphasis upon development of our national communications has given us a position of leadership and strong competitive standing. One factor must be borne in mind, however, recognition must be accorded to a peculiar aspect of certain communication services such as the telephone, where the best service at lowest cost necessitates acceptance of a greater degree of monopolistic operation than is ordinarily acceptable from our American viewpoint. Likewise in the field of radio communication, the inescapable fact of limitations of frequencies or wave bands must be recognized. Although these are in a sense capable of enlargement through increasing technical perfection, this trend is offset by the expanding variety of uses clamoring for the allocation of frequencies.

These considerations necessarily condition our approach to foreign policy in the field of international telecommunications. But our essential aims remain in line with the general pattern. When contracts are let for the installation or improvement of communications systems abroad, we seek to assure that the conditions of bidding are fair and open and allow equal opportunity for American enterprise along with other competitive foreign enterprise. In the exploitation of inter-

national communication systems, we seek to assure the development of American facilities to provide direct services wherever the traffic is of sufficient importance to our interests to warrant such services. In general, we seek to promote the most efficient use of the technical resources available. We believe that the operation of international telecommunications systems should be open and free. No private or national interest should be allowed to impair the contribution that such systems can make to international contact and world understanding.

So much for the general principles underlying our policies in international transport and communications, and the practical considerations which guide us in their application. I will close with a word on the procedures we follow. Many problems must of course be the subject of direct discussion and negotiation with individual foreign governments. Generally, however, pursuant to our aim of developing a world-wide system of agreement under law, we favor dealing with multilateral questions by multilateral conference. By this means all parties at interest may have opportunity to make known their position, their needs, and their aims. To understand the position of others and to discover areas of agreed compromise among many nations is not easy. Multilateral conferences, to be successful, require minute preparation to overcome difficulties that seem at first glance insuperable, followed by diligence and patience around the conference table. No single conference accomplishes everything desired; it can only be a step in the right direction. To be effective, moreover, its scope must be defined and limited to the practicalities of the occasion.

This is why there are so many international conferences today, varied in their subject matter and repeated in their endeavors. The list of recent, current, and prospective conferences in the field of international transport and communications which I could read to you would be a long one. The European Central Inland Transport Organization meets in Paris this month; the Committee of Transport Experts of the Economic Commission for Europe was recently convened in Geneva; the Fifth Pan American Highway Congress will meet in Lima next October. The Transport and Communications Commission of the United Nations meets for its second session at Geneva next Novem-

ber. The Joint Maritime Commission of the International Labor Organization meets at Geneva in late September. The First Assembly of the International Civil Aviation Organization met in Montreal last month. An International Telecommunications Conference is currently in session at Atlantic City. These are just a few examples, picked at random, to suggest the multitude and variety of conferences, subjects, and places of meeting in which the United States has interests in the field of international transport and communications.

Our participation and influence in these conferences involves one element of outstanding importance which warrants concluding mention here. I refer to our effort to promote and develop the structure and application of the United Nations. Some of these conferences are under the auspices of the United Nations; others are not. This denotes no half-hearted support of the United Nations; on the contrary it evidences only the practical character of our attempt to broaden the development of world organization under the auspices of the United Nations. Attempts to settle international problems by international conferences are of long standing and have resulted in the establishment of a number of successful organizations. It would obviously be foolish to wipe these all out, and abandon the progress heretofore made for the sake of making a fresh start. Our policy is to maintain the organizations already established and to influence their affiliation with the growing structure of the United Nations. Thus, at the first conference of the International Civil Aviation Organization recently held at Montreal, an important endeavor of the United States and a principal achievement of the conference was agreement to bring that organization into prescribed relations with the United Nations. Again, in the part we have been playing in the formulation of objectives for an over-all shipping organization, our effort has been primarily directed to the development of such an organization under United Nations' auspices, while at the same time accepting the progress that has been made in the field through other channels.

I have tried to show you today how an essential

element of our foreign policy, that of transport and communications, is directed to the promotion of world understanding. Our hope for the future lies in developing techniques for reconciling the differences between peoples. We believe that transport and communications, exploited on a global scale in the interest of mankind, can do for the world what they have done for our own country. But let us remember that the achievement of world understanding is an objective of our entire foreign policy. The wheel of human affairs has turned, and today we are leaders, whether we like it or not. We can do for the world what we have done for ourselves. If we show the way without fear or favor, the world will follow us.

U.S.-Canadian Cooperation—Continued from page 1192

tageous economic relations between them and the betterment of world-wide economic relations.

"To that end the Governments of the United States of America and of Canada are prepared to cooperate in formulating a program of agreed action, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the" Atlantic Charter.

They agreed further that they would "seek to furnish to the world concrete evidence of the ways in which two neighboring countries that have a long experience of friendly relations and a high degree of economic interdependence, and that share the conviction that such reciprocally beneficial relations must form part of a general system, may promote by agreed action their mutual interests to the benefit of themselves and other countries."²²

The United States and Canada in recent years have succeeded in doing this to a remarkable degree.

²² BULLETIN of Dec. 5, 1942, p. 978.

Procedure for Joint Commission Consultation With Koreans

[Released to the press June 12]

There follows the text of the decision reached by the Joint (U.S.-U.S.S.R.) Commission in Korea on June 7 and published in Korea on June 12, establishing the procedures for joint commission consultation with Korean democratic parties and social organizations to which the Secretary referred in his press conference on June 12:

1. In consulting with Korean democratic parties and social organizations, the Joint Commission shall be guided by the conditions stated in the letter of Minister of Foreign Affairs of the U.S.S.R., V. M. Molotov, of May 7, 1947,¹ and accepted by the Secretary of State of the U.S.A., George Marshall, in his letter of May 13, 1947.² The appropriate quotation from the letter of Foreign Minister Molotov is given below:

The Soviet Commander in his letter of November 26, 1946, advanced the following proposals as a basis for the resumption of the work of the Joint Commission:

"1. The Joint Commission must consult those democratic parties and organizations which uphold fully the Moscow decision on Korea.

"2. Parties or social organizations invited for consultation with the Joint Commission must not nominate for consultation those representatives who have compromised themselves by actively voicing opposition to the Moscow decision.

"3. Parties and social organizations invited for consultation with the Joint Commission must not and will not voice opposition nor will they incite others to voice opposition to Moscow decision and the work of the Joint Commission. If such be the case, such parties and social organizations by mutual agreement of both delegations will be excluded from further consultation with the Joint Commission."

The American Commander in his letter of December 24, 1946, agreed to accept these proposals of the Soviet Commander with the following changes as the basis for the resumption of the work of the Joint Commission:

"Proposal number 1 to be interpreted as follows: signing the declaration in communiqué number 5 will be accepted as declaration of good faith with respect to upholding fully the Moscow decision and will make the signatory party or organization eligible for initial consultation.

"Proposal number 2, I consider it the right of a declarant party or organization to appoint the representative

which it believes will best present to the Joint Commission its views on the implementation of the Moscow decision.

"However, should such representative for good reason be believed to be antagonistic to the implementation of the Moscow decision or to either of the Allied powers, the Joint Commission may, after mutual agreement, require the declarant party to name a substitute spokesman.

"Proposal number 3, it is suggested that it be reworded as follows: individuals, parties and social organizations invited for consultation with the Joint Commission should not after signing the declaration contained in communiqué number 5 foment or instigate active opposition to the work of the Joint Commission or to either of the Allied powers or to the fulfillment of the Moscow decision.

"Those individuals, parties and social organizations which after signing the declaration contained in communiqué number 5 do foment or instigate active opposition to the work of the Joint Commission or to either of the Allied Powers or to the fulfillment of the Moscow decision shall be excluded from further consultation with the Joint Commission.

"The decision excluding such individuals, parties and social organizations shall be by agreement of the Joint Commission."

With a view to expediting the resumption of the work of the Joint Commission and the creation of a temporary Korean democratic government, I am prepared to accept the amendments set forth above proposed by the American Commander.

2. The Joint Commission will consult with Korean democratic parties and social organizations which are truly democratic in their aims and methods and which will subscribe to the following declarations:

We declare that we will uphold the aims of the Moscow decision on Korea as stated in paragraph 1 of this decision, namely: the reestablishment of Korea as an independent state, the creation of conditions for developing the country on democratic principles, and the earliest possible liquidation of the disastrous results of the protracted Japanese domination in Korea.

Further we will abide by the decision of the Joint Commission in its fulfillment of paragraph 2 of the Moscow decision in the formation of a provisional Korean democratic government.

Further we will cooperate with the Joint Commission in working out by it with the participation of the provisional Korean democratic government, of proposals con-

¹ BULLETIN of May 18, 1947, p. 905.

² BULLETIN of May 25, 1947, p. 1043.

cerning measures foreseen by paragraph 3 of the Moscow decision. Signed by _____, representing the _____ party or organization.

3. Democratic parties and social organizations of northern and southern Korea are hereby invited to submit their applications for participation in consultation with the Joint Commission. Every party and organization must submit only one application through its central zonal organ.

The application should be accompanied by a copy of the declaration given in paragraph 2 above duly signed and sealed with the seal of its central organ and also signed by the designated representative. The application shall contain the following information:

(a) The full name of the party or organization, the address of its central office, the date of establishment, the membership number and location of branches, and total membership.

(b) The full name of a designated representative given in Chinese characters and, where possible, in English and Russian translation, the place and home address. Applications for participation in consultation shall be submitted to the Joint Commission at address in Seoul or address in P'yengyang by June 23, 1947.

4. Democratic parties and social organizations of northern and southern Korea which have signed the declaration contained in paragraph 2 may submit to the Joint Commission in written form their considerations regarding the structure and principles of organization of the provisional Korean democratic government and local organs of authority (provisional charter), and also the political platform for this government may be in accordance with a questionnaire approved by the Commission. This questionnaire shall be published in the press and printed copies will be available at the Joint Commission headquarters in Duksoo Palace, Seoul, and (address) P'yengyang.

The applications for considerations shall be submitted to the Joint Commission by July 1, 1947.

5. Subcommission number 1, upon receiving the applications for consultation, shall compile a list of all democratic parties and social organizations and their designated representatives of North and South Korea which have signed the declaration in paragraph 2.

6. Following the approval by the Joint Commission of the list of democratic parties and social

organizations and their representatives, mentioned in paragraph 5, the Joint Commission shall convene in Seoul on June 25, 1947, a joint meeting to which it shall invite the above-mentioned representatives of parties and social organizations in South Korea. A similar meeting of representatives of parties and social organizations in North Korea shall take place in P'yengyang on June 30, 1947. The Chief Commissioner of the Soviet Delegation shall preside over the meeting in Seoul, and the Chief Commissioner of the American Delegation shall preside at the meeting at P'yengyang. In such meetings the chief of the delegation in whose zone the assembly is being held will present a statement elaborated by the Joint Commission.

7. Representatives of parties and social organizations of both northern and southern Korea which are included in the list referred to in paragraph 5 above will be invited to individual oral consultation regarding the structure and principles of organization of the Korean provisional democratic government and local organs of authority (provisional charter) and also regarding the political platform for this government. For this purpose the Joint Commission will appoint the necessary numbers of subcommittees and shall notify each representative of the time and place he is to appear for consultation.

Oral consultation shall commence on July 5, 1947, and take place in Seoul and P'yengyang.

8. The Joint Commission will present the consideration and proposals received from the Korean democratic parties and social organizations of North as well as South Korea for study and elaboration of coordinated proposals to the corresponding subcommissions which will create, for this purpose, the necessary members of subcommittees. Advisors, experts, and technical personnel for the work in the joint subcommissions and subcommittees will be appointed by the heads of the corresponding delegations.

9. For the purpose of consultation and aiding the Joint Commission in elaboration by it of recommendations regarding the structure and principles of organization of the Korean provisional democratic government or the local organs of authority (provisional charter) and also the political platform for this government, representatives of parties and social organizations shall be invited from among parties and organizations included in the list mentioned in paragraph 5.

The number of such representatives of various parties and organizations shall be determined by the Joint Commission in accordance with their membership and, as far as possible, taking into account their influence. The Joint Commission shall convene a joint meeting with such representatives and may also call upon them to take part in the elaboration of recommendations by sub-commissions and subcommittees. The time and the agenda of the joint sessions of the Joint Commission with such representatives will be appointed by the Chief commissioners.

10. Democratic parties and social organizations of both northern and southern Korea shall have equal rights and opportunities in consultation with the Joint Commission.

11. The coordinated proposals elaborated by the subcommissions shall be submitted for consideration to the Joint Commission which shall examine such proposals and shall grant its provisional approval. Following this, the Joint Commission shall appoint a drafting commission to which it shall give the necessary instructions regarding the compilation of the final text of the recommendations concerning the structure and principles for organization of the Korean provisional democratic government and local organs of authority (provisional charter) and also the political platform for this government. The texts of recommendations elaborated by the drafting commission shall be approved by the Joint Commission.

12. Following the approval of the texts of recommendations submitted by the drafting commission, the Joint Commission shall proceed with elaboration of recommendation regarding the personnel of the Korean provisional democratic government.

Hope Expressed for Early Provisional Government for Korea

STATEMENT BY THE SECRETARY OF STATE

[Released to the press June 12]

Reports from Korea are that the Joint (U.S.-U.S.S.R.) Commission has agreed upon procedures for consultation with Korean democratic parties and social organizations in all of Korea in order to work out plans for the establishment of a provisional Korean democratic government. These procedures are rather elaborate and com-

prehensive and should assure the Koreans that their opinions and constructive ideas will be given due consideration. This agreement in the Joint Commission is especially gratifying as failure to reach such an agreement last year caused adjournment of the Commission.

I understand that consultations will start at Seoul in the American zone on June 25 and will continue at P'yongyang in the Soviet zone in northern Korea on June 30. I am hopeful that these developments will result in the early formation of a Korean provisional government for all of Korea as provided in the Moscow agreement of December 1945.

Hope Expressed for Accord on Indian Self-Government

[Released to the press June 10]

The United States has followed developments toward full self-government in India with great interest and sympathy. The British and Indian Governments have been faced with unique difficulties in working out a plan whereby power might be transferred peacefully and for the general good of the Indian people. The agreement of all the major parties concerned with the British statement of June 3,¹ coming as it did in a period of growing tension in India, is a source of much encouragement to India's friends. It is hoped that

¹The plan, issued as a "White Paper" (Indian Policy Statement of June 3rd, 1947, Cmd. 7136) leaves the decision of partition of India entirely in the hands of the Indians themselves and does not preclude negotiations for a unified India. It lays down procedures whereby India may be partitioned by decisions of the legislative assemblies of Bengal, Punjab, and Sind, and by referenda in the North West Frontier Province and the district of Sylhet in the Province of Assam. A method whereby British Baluchistan may determine its position is being examined. The procedures of the plan are now in motion. Parliament is expected to enact legislation providing for the transfer of power to the Constituent Assembly already in existence and to the constituent assembly which is expected to be set up for the creation of Pakistan, giving the two areas full self-government with Dominion status. The Indian Constituent Assemblies may decide in due course whether or not the part of India in respect of which they have authority will remain in the British Commonwealth. Since the plan relates only to British India the position of the Princely states remains unchanged.

this meeting of minds will bring an end to civil disorders in India and avoid further bloodshed. The spirit of cooperation among the Indian leaders evident in the agreement augurs well for the future of India and if continued may provide an example of cooperation and fair play to all nations of the world.

The future constitutional pattern is a matter to be determined by the Indian people themselves and whatever that pattern may be the United States Government looks forward to the continuance of the friendliest relations with Indians of all communities and creeds.

Position on Educational Exchange Program

STATEMENT BY THE SECRETARY OF STATE

[Released to the press June 12]

The Mundt bill authorizes the Secretary of State to conduct an international information and educational exchange program. A number of members of Congress have stated they would support the Voice of America broadcasts because I had urged the continuation of this broadcasting, but they could not support the exchange of students and professors, or assistance to American libraries and schools abroad, or the assignment of American technicians as advisers to other governments.

I have supported the continuation of broadcasting because it is the most important single method for correcting false ideas about the United States in those areas where the people are isolated from the rest of the world. I have spoken in support of broadcasting on several occasions because I felt this was the most controversial element in a program for the exchange of information.

I am unreservedly in favor of the exchange of students, professors, and books. These methods in the long run may be far more important for the interchange of information than broadcasting. I believe that private institutions and organizations must continue, as they have in the past, to bear the principal responsibility for the exchange of students and professors. Assistance from the Government would supplement these private activities. I have seen some of the work of the American-founded schools in China. They are largely financed by private fund-raising. During

the war the State Department provided these schools with some books and laboratory equipment. The Department also gave to the American colleges in the Near East some scholarship funds for bringing students from the Arab states to study under American teachers in Syria and Turkey. I should like to see that authority continued, and wherever it is necessary in our national interest to supplement the work of private agencies, I believe the Department should be in a position to do so.

The assignment of public officials as advisers to other governments will be increasingly important to the United States in its foreign-relief program and will enable those governments to achieve maximum self-help. This bill contains provision that the Secretary of State can require other governments to pay for the services of these advisers.

I do not believe that a bill limited to broadcasting would give this Government the opportunities it must have to explain itself to the rest of the world.

William H. Hastie Succeeds Ralph J. Bunche on Caribbean Commission

The President on June 14, 1947, appointed William H. Hastie, Governor of the Virgin Islands, as United States Commissioner on the Caribbean Commission. Governor Hastie will replace Ralph J. Bunche, who was recently appointed Director of the Trusteeship Division of the United Nations Secretariat. For text of Dr. Bunche's letter of resignation, dated May 15, 1947, and for the President's reply of June 9, see White House press release of June 14, 1947.

Confirmation to the International Monetary Fund

The Senate on June 11, 1947, confirmed the nomination of Andrew N. Overby to be United States Executive Director of the International Monetary Fund for a term of two years and until his successor has been appointed.

Confirmation

The Senate on June 10, 1947, confirmed the nomination of Richard F. Allen to be Field Administrator of the United States foreign relief program, pursuant to Public Law 84, approved May 31, 1947.

Department of State Bulletin

Defense of American Information Program

LETTER FROM ASSISTANT SECRETARY BENTON TO KENT COOPER

[Released to the press June 14]

June 13, 1947.

DEAR MR. COOPER: I have just had a chance to read in *Editor and Publisher* the text of your Chicago speech.

There is also on my desk a clipping from the New York *Sun* of an Associated Press dispatch from Budapest, dated June 6. It reads in part:

"President Truman's views—that the coup was an outrage—was not published by any Hungarian newspaper In scenes reminiscent of the German occupation, many persons are huddling every night in Budapest cellars to listen to foreign news broadcasts. . . . Today's bulletin of the United States Information Service, a State Department office, carried President Truman's remarks Hungarians who called for the Bulletin came in hurriedly and departed in even greater haste".

You stated in your speech that you were not speaking officially as Executive Director of the Associated Press. If this is an appropriate device for you perhaps it is not wholly inappropriate for me. Your tenure and connection with the AP seems longer and more secure than is traditional for an Assistant Secretary of State. Thus there may be those who will indulge me and try to assume that I am commenting in my personal rather than my official capacity.

The assumptions that underlie your Chicago argument, as I read it, are that somehow—some time—the nations will remove the barriers that now impede the free flow of information internationally and internally; that the task of disseminating information may thus be given everywhere to private, competitive agencies as it is in the United States; that the resulting flow of information will then be adequate to the needs of the people; and that, even in the face of today's conditions, any informational activity sponsored by our own government represents a backward step.

I share your millennial hope. I share it as a hope and as a goal. I have read with admiration some of your numerous speeches on this subject, over the

years. I have made speeches on this subject myself in the last year. In fact, I have done more than make speeches on it. Though this development has received little public recognition or discussion, at no previous time has the United States undertaken so vigorous an effort in behalf of international freedom of information as it has begun in recent months through UN, UNESCO and the State Department's new concept of bilateral agreements.

But we would be less than candid with ourselves—indeed we would be living in a world of gossamer dreams—if either of us felt we had progressed very far toward our goal. The bitter fact is that the world is in worse shape now with respect to freedom of information than it was in 1919 when you made your first appeal. It is estimated that three-quarters of the earth's population is living today under some degree of censorship. In some important areas this censorship, and the deliberately fostered distortions that accompany it, are more virulent than ever before.

Certain it is that the United States is today grossly, shockingly and *dangerously* misunderstood by the peoples of many important countries.

The question for the United States becomes, what do we do about it? I think you and I can agree on these two things the United States Government ought to do: 1) it ought to move as it can to advance the cause of universal freedom of information, and 2) it ought to encourage the activities of private, competitive agencies in the communications field.

Beyond these steps you seem to be arguing that we do nothing—that we revert to *status quo ante bellum*. The opposing argument is that we should never again be caught so helpless; that the government must act to fill the information gaps that are now so glaring, in order that foreign peoples will not again be so easily misled about us; and that the government's method must be to give facts, and nothing but facts, openly and candidly and steadily in those areas and via those media not open to private channels or not profitable to them. If and as private agencies develop in these areas and media, the government should withdraw.

June 22, 1947

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(You will recall that one of my first acts in the Department of State was to kill the OWI 100,000 word-a-day newsfile which was scatter-broadcast all over the world. Yet even today, I am told, in a major country as important to us as is China, the Associated Press only serves 27 of the 590 daily and 700 weekly and semi-weekly papers, and all of these 27 are in Shanghai and Nanking. UP serves only 19.)

The opposing argument to yours is not mine alone. It is held by nearly everyone who has studied the question—by a committee of outstanding editors appointed by the American Society of Newspaper Editors; by the key radio executives who have had experience in international broadcasting; by the president of the Motion Picture Association; by General Marshall and our ambassadors; by General Eisenhower and other leaders of our armed forces; by the very great majority of American newspapers; almost unanimously by their foreign correspondents who have seen the problem abroad and reported on how we are trying to meet it; by scores of private organizations which have looked into the matter, such as the American Legion, the General Federation of Women's Clubs, the Institute for Education by Radio, the Women's Action Committee for Lasting Peace, etc.; and most recently, in the very face of your argument, it was adhered to unanimously by the Foreign Affairs Committee of the House in its report on the Mundt Bill.

Your speech contains numerous specific misconceptions and misleading statements. It would require a letter almost as long as your paper adequately to comment on them, so I shall limit myself to a few. Here are five examples:

1. As you use the word "propaganda" throughout your speech to describe the informational activities of the State Department, you are prejudging the question by raising associations of dishonesty, malice and evil intent. The *St. Louis Post Dispatch* commented editorially, "Kent Cooper's personal attitude is strikingly different from the standards of reporting which he has fostered in his agency's own service." You have thus yourself used a propagandist's device.

In your sense I deny—flatly and categorically—that the Department of State is engaged in propaganda. No responsible newspaperman who has taken the trouble to study the Department's oper-

ation has so described it. I call your attention especially to the report of the Committee of the American Society of Newspaper Editors, which did take the trouble to study it. In this report, these distinguished editors stated, "So far as it could go, the Committee did not detect distortion, untruth or hidden purpose in the activity to date".

I do not deny, however, that propaganda is rife throughout the world, or that it is "a maelstrom of international self-seeking where wars are brewed", as you have charged. Secretary Marshall has referred to "this riot of propaganda". The chief target and victim is the United States.

2. You have said in previous statements, and implied in this one, that if the U. S. Government abandoned its international information program, other nations would abandon theirs. This statement is incredibly unrealistic, as could be readily determined merely by querying responsible officials in other governments. Other major powers have been in this field for decades, long before the war forced us in the United States to a realization of its great importance to us. Can anyone even imagine Russia abandoning its propaganda if you are successful in your campaign to kill off the State Department's information activities? Ignoring the Russian attitude seems to me to be irresponsible, when such hopes are expressed; though I assure you there is no chance that the British or the French, for example, would follow the unsound policy you suggest for us.

3. You say that "all countries of any importance actually avail themselves" of the news reports of the U.S. wire services. The fact is that a number of countries either do not get these reports or process them beyond all recognition. Hungary, Poland, Roumania, Yugoslavia and Iran, among others, get no reports. The Soviet Tass agency gets the AP report, but I am sure you agree with me that Russian newspapers cannot, even in the most far-fetched sense, be said to have "AP service".

Further, and of great importance—nowhere in the world can the wire services profitably send the complete texts of official documents that are required for understanding abroad of United States policy.

4. You refer to the government as being in the "news agency business", yet you concede that the State Department's information program is not

Provisions Authorizing Offices of Under Secretaries and Assistant Secretaries

[Released to the press June 12]

Assistant Secretaries of State

Permanent legislation authorizes in the Department of State four Assistant Secretaries of State. By act of Congress dated December 8, 1944, there was authorized in the Department of State two additional Assistant Secretaries of State for the period of the emergency and not to exceed two years following the cessation of hostilities. As a result of the issuance of the President's proclamation 2714 of December 31, 1946, terminating the period of hostilities, the Act of December 8, 1944, will expire and, consequently, authority for the additional two Assistant Secretaries of State will terminate December 31, 1948.

Under Secretary of State

Likewise, permanent legislation authorizes in the Department of State one Under Secretary of State. On August 6, 1946, Congress authorized the establishment in the Department of State of an Under Secretary of State for Economic Affairs for a period of two years. Under this authority, the Under Secretary of State for Economic Affairs will serve until August 1, 1948.

Norman Armour To Assume Duties of Two Assistant Secretaryships

STATEMENT BY THE SECRETARY OF STATE

[Released to the press June 12]

Mr. Armour will assume the duties formerly held by the Assistant Secretary for European affairs and the Assistant Secretary for American republic affairs. He will be responsible for the coordination of the work of four geographic offices.

No organizational plan will be approved until Mr. Armour arrives and the Under Secretary and the Assistant Secretary for administration and I have had an opportunity to discuss details with him.

SENATE CONFIRMATION

The Senate on June 10, 1947, confirmed the nomination of Norman Armour to be an Assistant Secretary of State.

regarded by the wire services as being competitive. Thus your use of the phrase "news agency business" seems hardly accurate. The State Department presents voice news reports as part of its foreign radio broadcasting; it does so because private broadcasters will not undertake the job on anything but a very minor scale, and because the private wire services did not accept my invitation of last year, to take responsibility for that part of the broadcasting. The Department also provides foreign editors with the full texts and other documentary material not provided by the wire services. This is hardly the "news agency business".

5. You say that the American people have no way of checking up on what the State Department is saying abroad "that might lead us all to catastrophe". In saying this, you under-rate the rigid policing provided by our listeners and readers. You under-rate Congress. You under-rate your own staff both here and abroad. You under-rate the thousands of American businessmen living abroad, and those serving in our missions. It is all on the record.

In general, your thesis is that the purpose of the State Department's program is to create prejudice, or gain converts, or thwart communism, or produce revolution abroad. If yours were an accurate portrayal of its purposes, I agree that the program would be unwise as well as ineffective. But Machiavellian designs are not envisaged. The purpose is simply to advance understanding of the United States by informing foreign people of the facts about the United States. If such understanding does not promote the interests of both the United States and the rest of the world, then we are in a very bad way indeed and neither the Associated Press nor the State Department's information program has much long-range reason for existence.

In view of the wide publicity given your speech in Chicago I shall make this letter available to any member of the press who shows any interest in it.

Very sincerely yours,

WILLIAM BENTON

MR. KENT COOPER, *Executive Director*
Associated Press
50 Rockefeller Plaza
New York City

June 22, 1947

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